

Registration number: 11385914

Deuce Midco Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 31 December 2024

Deuce Midco Limited

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Company Information

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Registered Number	11385914
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Auditor	Deloitte LLP Statutory Auditor 1 New Street Square London United Kingdom EC4A 3HQ

Deuce Midco Limited

Strategic Report for the Year ended 31 December 2024

The directors present their strategic report on the Group for the year ended 31 December 2024.

Deuce Midco Limited ("the Company") serves as the holding company for David Lloyd Leisure Limited ("DLL") and its subsidiaries (together, "the Group"). Operating under the David Lloyd Clubs ("DLC") brand, the Group is committed to enhancing members' physical and mental well-being while fostering a strong sense of belonging.

As Europe's leading premium health and wellness operator, the Group manages 134 clubs, comprising 105 in the UK and 29 across mainland Europe. Our clubs offer state-of-the-art facilities, including gyms, racquet sports, swimming pools, spas, and family-oriented clubrooms, delivering an exceptional experience tailored to our members' diverse needs.

This strategic report provides an overview of the Group's performance and strategic direction for the year ended 31 December 2024. It incorporates the required disclosures under the non-financial and sustainability information statement and the Section 172(1) statement of the UK Companies Act 2006. The report emphasises matters of significance to the Group and its subsidiaries as a whole, ensuring a comprehensive view of our operational and strategic priorities.

Business model

Our business model is centred on operating a portfolio of premium health and lifestyle clubs in affluent suburban areas. Each club is strategically located to serve high-income demographics and offers a comprehensive range of facilities, including heated indoor and outdoor pools, top-tier racquet facilities, fully equipped group exercise studios, boutique-style fitness classes, state-of-the-art gyms, luxurious spas, family-friendly club rooms, outdoor spaces, and workspaces. Additionally, members benefit from lounges, restaurants, bars, and a fully integrated digital offering, ensuring a seamless and high-quality experience.

The breadth and quality of our services drive longer customer dwell times, increased secondary spending, strong market penetration, and industry-leading retention rates. Our differentiated proposition, combined with our scale, creates significant barriers to entry for new competitors, as few catchment areas can sustain multiple premium clubs of a similar standard.

Our business model is primarily subscription-based, with more than 75% of total revenues generated from membership fees. Our membership base consists of affluent individuals who prioritise health and wellbeing, providing the Group with a stable and high-quality recurring income stream. Research indicates that our members are significantly less likely to cancel their membership during economic downturns compared to the broader market, reinforcing the resilience of our business model.

Membership income is driven by three key levers: pricing (yield), new member sales, and attrition. These factors are interdependent and influenced by overall member satisfaction, which is central to our operational strategy. Continued investment in our club facilities and staff enhances member experience, leading to improved retention, pricing flexibility, and sustained membership growth. Our proven ability to optimise these levers creates a virtuous cycle that supports long-term financial performance and shareholder value.

Our history

Founded in 1982 by former professional tennis player David Lloyd, the Group was built on a vision of creating a premium fitness destination for the entire family. Our first club, David Lloyd Heston, remains operational today as a testament to this enduring vision. By 1995, we had expanded to 18 clubs, and as of the date of this report, we have grown to 134 clubs across the UK and mainland Europe.

Over the years, we have evolved into Europe's leading health and wellness group, consistently investing in innovation, state-of-the-art facilities, and exceptional member experiences. Despite this growth, we remain committed to our founding principles – offering a welcoming and high-quality environment that promotes fitness and well-being for the whole family.

Our Vision and Values

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

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Our Vision and Values (continued)

The successful execution of our vision is guided by six core 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.

We believe that investing in our people, facilities, and digital innovation strengthens our competitive advantage and supports sustainable financial growth. Our strategic priorities focus on increasing member acquisition and retention through service excellence, continued investment in club enhancements, and targeted expansion across the UK and Europe.

By empowering local teams and maintaining a strong culture of service and innovation, the Group continues to build long-term value for members, employees, and stakeholders alike.

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

We are committed to delivering sustainable, profitable growth by creating a premium club experience that puts our members at the heart of everything we do. Our well-invested estate, diverse product offering, and continuous reinvestment create a virtuous cycle that ensures long-term success.

Beyond enhancing our members' experience, "My Club for My Life" extends its impact to our people, communities, and the environment, ensuring we build a thriving and responsible club culture.

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

Live Life Better

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

- In club attendance > 75%
- App penetration of 85% by 2025

Our health and wellness offering continues to evolve and expand, driving increased member engagement and retention. Weekly member attendance rose by 7.8% year-on-year, with over 1.1 million club visits per week.

In-club attendance, measured through average monthly unique gate swipes, showed steady growth. In 2024, 74.1% of members attended our clubs from January to December, reflecting a 1.5 percentage point increase from the prior year.

Our mobile app continues to see strong adoption and engagement. As of December 2024, app penetration – measured as the percentage of members aged 14+ who have downloaded the app – reached 77% (December 2023: 74%), with approximately 498,000 unique users.

Mobile app member satisfaction remains high, reflected in an app rating of 4.7 out of 5. Activity levels remain robust, with an average of 180,000 daily active app users and more than 12.5 million online class bookings per year, demonstrating strong demand for our digital services.

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

1. Do Good

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

We aim to achieve:

- Carbon Net Zero by 2030 as defined by the Greenhouse Gas (GHG) Reporting Protocol.

The Group was pleased that the Science Based Targets initiative (SBTi) officially approved our near-term and long-term science-based emissions reduction targets and has verified our net-zero science-based target for 2030.

In 2024, we achieved a reduction of 5,500 tonnes of CO₂e in our Scope 1 and Scope 2 emissions. However, emissions associated with business growth increased by 3,500 tonnes, partially offsetting our progress. Overall, we achieved a net emissions saving of 2,000 tonnes of CO₂e. We continue to make progress in delivering carbon reduction initiatives across our estate.

Key sustainability actions completed in 2024 include:

- The installation of 40 solar PV systems across our locations.
- The initiation of heat pump installations to enhance energy efficiency.
- The trial rollout of EV charging stations at a selection of UK clubs.
- The removal of 11 Combined Heat and Power (CHP) systems, reducing reliance on fossil fuels.

Looking ahead, we remain committed to accelerating our decarbonisation efforts and implementing further energy efficiency measures to ensure continued progress towards our net-zero ambition.

2. Belonging

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

We aim to achieve:

- MAT attrition 33% by 2025

Member Attrition Turnover (MAT) measures the rate of membership turnover, with a focus on long-term retention. MAT attrition is calculated as the total number of leavers in the past 12 months divided by the opening member count for the same period.

For the year ended 31 December 2024, the Group's MAT attrition rate was 34.8%, reflecting an improvement of 1.7 percentage points compared to the prior year. Total member attrition for the period was 263,000. The Group actively manages attrition through initiatives aimed at increasing member usage, ongoing investment in club facilities, and the continuous enhancement of its product offerings to provide a premium experience. Member loyalty remains strong, with those who remain beyond 18 months staying for an average tenure of seven years.

3. Premiumisation

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

We aim to achieve:

- Member experience score of 85% by 2025

Member experience continues to be a key focus, measured through app-based satisfaction scores, which track the percentage of 'good' and 'very good' responses relative to total feedback received. For the financial year, we achieved an average member experience score of 83.8%, reflecting a 2.3 percentage point increase compared to the prior year and representing our highest score since the introduction of app-based feedback in 2019.

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

4. Premiumisation (continued)

Additionally, our Trustpilot rating remains strong at 4.4, positioning us as the highest-rated premium gym brand in the UK. This achievement underscores our ongoing commitment to delivering exceptional customer service and enhancing the overall member experience.

5. Effortless service

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

We aim to achieve:

- Mystery shop score of 90% by 2025

Each club undergoes a minimum of six mystery shop visits annually, with performance assessed based on 40 questions across 14 sections. For the year, we achieved an average mystery visit score of 84.3% (2023: 89.4%).

The year-on-year reduction in score reflects a revision in the question set, introducing increased complexity and stricter evaluation criteria. Under the revised framework, a total visit failure now occurs when two or more non-negotiable questions are failed.

Efforts will continue to focus on key areas of improvement, ensuring consistency in service quality and compliance with operational standards.

6. The Best People Choose Us

We attract and keep the best people through our market leading standards, forward-thinking work environment and the values that guide us.

We aim to achieve:

- Employee engagement score of 86% by 2025

Employee engagement reflects the extent to which our team members feel passionate about their roles, are committed to our business, and willingly go the extra mile in their work. We measure this engagement twice a year through an online employee survey, aiming for a target engagement score of 86%. The engagement score is derived from 6 questions.

In the latest assessment, the Group achieved a record-high KPI rating of 87%, marking a 1% increase from 2023 and reinforcing our commitment to fostering a supportive and motivating work environment.

We are also proud to share that, for the second consecutive year, David Lloyd Clubs has been ranked among the Top 10 of The Sunday Times' Best Very Large Places to Work in the UK for 2024. This prestigious recognition is based on direct feedback from our team members, highlighting just how valued and engaged they feel as part of our organisation. Our people are at the heart of everything we do, and this continued success is a testament to their dedication and enthusiasm.

By aligning our strategies and KPIs, "My Club for My Life" will continue to deliver exceptional value for members, drive long-term growth, and make a lasting positive impact on the communities and environment we serve.

Operational review

Financial Year 2024 was a year of significant investment and sustained growth, driven by strong market demand, resulting in improved yields and returns. The Group achieved a record-breaking year both operationally and financially, demonstrating robust performance across key metrics, including membership numbers, yields, member experience, employee engagement, revenue and Adjusted EBITDA (pre-IFRS 16) as defined on page 22.

Membership growth of 3.9% was driven by a combination of like for like (LFL) growth and two new openings, the acquisition of Shrewsbury and the opening of our new club at Bury St Edmunds.

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Strategic Report for the Year ended 31 December 2024

Operational review (continued)

Commenting on the results, Chief Executive Russell Barnes said:

“I am pleased to report another year of strong financial and operational performance. Momentum has continued to build through the second half as we continue to implement our programme of strategic growth initiatives. The steady increase in the membership base demonstrates the attractiveness of our premium health and wellness facilities, including innovative spas, family-specific classes and facilities and unparalleled racquet sport offering. Our hybrid spaces offer families and individuals the opportunity to work, socialise, exercise and relax together under one-roof; a unique proposition which has driven member and team engagement scores to their highest ever level.

We remain very excited about the growth opportunities ahead, with a well progressed pipeline of premiumisation and expansion opportunities. We are highly disciplined in our approach to investment, as demonstrated by our track record of delivering excellent ROI, and the Board remains highly confident in the outlook for the business.”

The Group remains highly cash generative, and we continue to invest in Adjusted EBITDA (pre-IFRS 16) enhancing projects. Our 2024 capital expenditure was c. £144m which we categorised as Pipeline (c. £32m), Maintenance (c. £43m), Investment and Premiumisation (c. £66m) and Digital Innovation (c. £3m).

Premiumisation and Innovation

The Group's growth strategy remains focused on premiumisation and innovation, ensuring continued differentiation from competitors while enhancing member experience and driving financial returns. By investing in facility upgrades and expanding premium offerings, we are achieving a minimum of 40% return on investment (ROI) per club, underscoring the effectiveness of our strategic initiatives.

We continue to elevate the member experience through premiumisation, incorporating facility improvements that enhance aesthetics, functionality, and value. Our investment strategy includes spa retreat expansion to support members' growing focus on overall wellbeing and physical fitness. We plan to complete 11 new spa retreats by the end of FY 2025, bringing the total number to 49 across the estate.

In conjunction with spa developments, we are upgrading club facilities to further differentiate our offerings, including EGYM technology, upgraded clubrooms, outdoor dining areas, workstations, enhanced children's activity areas, pools, and locker rooms.

Our commitment to innovation is evident in the continued development of our differentiated signature boutique-style fitness classes, including Blaze, Battlebox, Cyclone, Rhythm, Spirit, and Ignite. In addition, we have introduced Rebels, a family-friendly adaptation of our signature classes, designed for parents and children aged 8-13 to work out together in an engaging environment.

The expansion of Padel and Pickleball remains a key driver of premiumisation, strengthening our market position. The Group currently operates 130 Padel courts across 37 clubs, and we are the largest Padel operator in the UK. We also have a strong presence in the fast-growing Pickleball space, with facilities at 76 clubs to date. The popularity of both sports is expected to continue to grow exponentially, and we aim to open Padel at an additional 20 clubs in FY 2025 to serve the growing demand. The Lawn Tennis Association (LTA) estimates the number of annual padel players in 2024 was 129,000 and they have announced a target to increase this to 400,000 by 2026. Our internal data analysis highlights a strong attrition benefit for members engaged in racquet sports, further supporting continued investment in this area.

To further enhance our wellness offerings, we continue to explore innovative outdoor fitness and relaxation opportunities for members who want to exercise and relax outside, all year around.

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New clubs

The Group has developed a strong pipeline of sites to support our club roll-out programme over the coming years. Through extensive analysis, we have identified white space in key target towns and cities, revealing c. 100 potential opportunities in the UK and c. 500 in Europe.

In 2024, we expanded our portfolio with the opening or acquisition of two new clubs in Bury St Edmunds and Shrewsbury. During the same period, we made the strategic decision to close our club in Kiel. As a result, we ended the year with a total of 134 locations. Subsequent to the year-end, we closed our under-performing club in Utrecht in January 2025. However, this was offset by the opening of a new club in Boadilla, Madrid in March 2025, further strengthening our presence in the Spanish market.

Below is a summary of our contracted pipeline opportunities:

Date of exchange / completion	Location	Details
June 2022	Boadilla, Madrid	Acquired former Club Santana site, fully rebuilt and opened in March 2025.
December 2022	Furst, Berlin	Agreement to lease club in Berlin as part of FÜRST project. Opening expected in Q4 2026.
April 2023	Meersbuch, Dusseldorf	Agreement to lease a new site in Meerbusch, Dusseldorf. Lease commenced in March 2024 whereby the Group became a lessee on the headlease, and lessor on the sub lease of an existing club.
May 2023	Nantwich, Cheshire Chalfont St Peter, Buckinghamshire	Exchanged contracts to purchase land in Nantwich, Cheshire, subject to planning permission. Agreement to lease land in Chalfont St Peter, Buckinghamshire, subject to planning permission.
July 2023	Moraleja, Madrid	Agreement to lease land, subject to planning permission.
August 2023	Herne Bay, Kent	Exchanged contracts to purchase land in Herne Bay, Kent. Planning granted in September 2024, purchase completed in December 2024. Construction began January 2025 with the club set to open in Q4 2025.
September 2023	Wandsworth Swords, Dublin	Entered 35-year headlease agreement for a club in Wandsworth, becoming intermediate lessor for an existing lease. Exchanged contracts to purchase land in Swords, Dublin, subject to planning permission.
December 2023	Kettering	Exchanged contracts to purchase land in Kettering, Northamptonshire, subject to planning permission.
March 2024	Ashford	Exchanged contracts to purchase land in Ashford, Kent. Planning granted in August 2024, club opening in 2026.
June 2024	Yeovil	Exchanged contracts to purchase land in Yeovil, subject to planning permission.
August 2024	St Neots	Exchanged contracts to acquire land in St Neots, Cambridgeshire, subject to planning.
September 2024	Harlow	Exchanged contracts to acquire land in Harlow, Essex, subject to planning permissions. The purchase completed in February 2025.

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New clubs (continued)

Date	Location	Details
December 2024	Wirral Waters	Exchanged contracts to acquire land in Wirral Waters, subject to planning permissions.
January 2025	Colliers Wood Tunbridge Wells Bishops Cleeve	Entered into a lease agreement for a club in Colliers Wood. The Group will invest in transforming the club, which will open in Q4 2025. Exchanged contracts to purchase land in Tunbridge Wells and Bishops Cleeve, subject to planning permissions.
March 2025	Seville, Spain	Agreement to lease land, subject to planning permission.

The Group remains on track to achieve its strategic expansion goals, with plans to open four new clubs in 2025. We continue to progress toward our target of reaching 150 clubs by 2027.

Environmental, Social and Governance (ESG)

As Europe's leading health, wellness, and fitness group, we believe that taking care of yourself is essential. Naturally, this extends to our responsibility for our members, team, environment, and the communities we serve. We are committed to driving positive change through our Environmental, Social, and Governance (ESG) principles.

In 2021, we established an ESG Committee to identify risks and opportunities, ensuring that we operate as a responsible and sustainable business. Our core objective remains steadfast: doing the right thing for our members, employees, and communities is fundamental to our long-term success. Equally, we are dedicated to actions that align with our ESG principles, including reducing waste in our clubs, sourcing sustainable materials, and playing our part in combating climate change.

To ensure accountability and progress, our ESG Committee meets quarterly to set goals, track progress, and integrate ESG values into every aspect of our operations. Our ESG program extends beyond our organisation to include the suppliers and partners we collaborate with, as well as our members and employees.

To achieve meaningful impact, we have structured our ESG strategy into three key focus areas.

1. Environment

At David Lloyd Clubs, sustainability is a core principle guiding our operations. Our commitment to achieving Net Zero carbon emissions by 2030 underpins our environmental strategy and aligns with our long-term business objectives.

Carbon Net Zero 2030 Commitment

Net Zero means ensuring that we add no more greenhouse gases than we remove. This includes emissions directly associated with our operations (Scope 1 and 2) as well as emissions from our supply chain activities (Scope 3).

In June 2024, our Net Zero target was formally approved and validated by the Science Based Targets initiative (SBTi), a globally recognised body that ensures emissions reduction targets are in line with the latest climate science.

Since 2019, we have achieved a carbon emissions reduction of approximately 30,000 tonnes of CO₂e – demonstrating our strong and sustained commitment to sustainability. This progress has been driven by our switch to 100% renewable electricity contracts and more than £20 million invested in energy efficiency initiatives, including tennis court lighting upgrades and enhancements to our Building Management Systems. While emissions rose by 19,000 tonnes due to business growth and premiumisation, we still delivered a net saving of 11,000 tonnes. This underscores that we can continue to elevate the customer experience while meaningfully reducing our environmental impact.

Deuce Midco Limited

Strategic Report for the Year ended 31 December 2024

Sustainability & Carbon Reduction Initiatives

As part of our ongoing commitment to sustainability, we continue to invest in renewable energy and carbon reduction technologies to drive meaningful change across our operations.

Solar PV Generation Rollout

In 2024, we successfully completed Phase 1 of our solar photovoltaic (PV) generation rollout, installing solar panels at 40 clubs across the UK and EU. This initiative marks a significant step in reducing our reliance on grid electricity and enhancing energy resilience.

Phase 2 of the rollout is scheduled to begin in mid-2025, with plans to install solar PV systems at an additional 45–50 clubs. The Board has committed £30 million in capital expenditure to the project, which is expected to generate over 20% of our total annual electricity consumption. Once fully implemented, this initiative will result in an estimated reduction of 7,000 tonnes of CO₂e per year – equivalent to approximately 9% of our current Scope 1 and 2 emissions.

Heat Pump Deployment for Decarbonisation

A key component of decarbonisation strategy is the adoption of air-source heat pumps to replace traditional heating systems. In 2024, we launched our first three pilot projects at our Cricklewood, Harrogate, and Swindon clubs. These systems are currently undergoing final commissioning, marking an important step forward in our transition to low-carbon technologies. While we are still in the testing and learning phase, these pilots will provide valuable insights to guide future rollouts across our estate.

Building on this momentum, we plan to install an additional five heat pumps by the end of 2025 as part of our ongoing trial. Scaling this technology across our full estate has the potential to eliminate over 30,000 tonnes of CO₂e annually – equivalent to a 40% reduction in our Scope 1 and 2 emissions. This represents a major opportunity to accelerate our path to net zero while modernising our energy systems.

Sustainable Travel & EV Charging Infrastructure

In alignment with our Group's Sustainable Travel Policy, we've begun rolling out EV charging infrastructure across 14 locations in the UK and EU. The first charging stations are expected to go live in Q2 2025. This initial trial phase will help us better understand member behaviours and gather valuable feedback to inform and refine the final solution – ensuring it meets both current and future needs.

This initiative aims to support our members in making more sustainable travel choices while contributing to the broader transition to low-carbon mobility. As we expand our EV charging network, we will continue to explore opportunities to enhance accessibility and adoption among our members.

Through these initiatives, we remain committed to reducing our carbon footprint and driving long-term environmental impact across our operations.

1. Social

We are deeply committed to doing the right thing for our members, our team, and the communities we serve. Our passion drives us to act with integrity, support those around us, and make a meaningful difference.

Making a Difference to our Members' Lives

Our commitment to enhancing the well-being of our members remains at the core of our mission. Through innovative programs, strong community engagement, and a steadfast focus on long-term health, we continue to drive positive outcomes. Our Wellness Pledge reinforces this commitment by promoting sustainable, healthy lifestyles over short-term solutions.

This year, our health and wellness offerings have expanded, resulting in increased member engagement and reduced attrition. Weekly member attendance has risen by 7.8% year-on-year, with over 1.1 million club visits per week.

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Strategic Report for the Year ended 31 December 2024

Making a Difference to our Members' Lives (continued)

By supporting our members in maintaining active lifestyles and achieving their fitness goals, we contribute to broader public health benefits. Regular physical activity is widely recognised as a key factor in preventing chronic health conditions, reducing the strain on healthcare services, and fostering healthier communities. As we grow, we remain dedicated to delivering value to our members while promoting a culture of wellness and long-term health.

Making a Difference in the Community

At the heart of our 'Do Good' strategy is a deep commitment to supporting the communities surrounding our Clubs and making a meaningful difference in people's lives. Through local initiatives and national fundraising efforts, we continue to drive positive change where it's needed most.

In 2024, we proudly contributed £2.7 million to support c. 1,200 different charities. This included an incredible £1.5 million raised through club fundraising activities and member donations. Our collective efforts have made a real difference, from backing local charities to responding in times of crisis. For example, when devastating floods hit Spain, our Spanish clubs quickly mobilised to raise €15,000 for Cruz Roja Española, helping provide urgent relief to those affected.

As the official Health and Wellness Partner of BBC Children in Need, our clubs united to raise an outstanding £335,000 between October 2023 and December 2024, supporting children and young people across the UK. Additionally, through our partnership with the Stroke Association, we provided £200,000 worth of advertising to help raise awareness of stroke prevention and support.

We are also a founding contributor to Change Please and their largest corporate partner, serving their award-winning coffee in our UK Clubs. Every cup of Change Please coffee sold directly supports people experiencing homelessness – providing them with a living wage job, housing, training, and employment opportunities. With our 2024 contributions exceeding £1 million, we've helped train 27 individuals as baristas, equipping them with valuable skills, confidence, and new opportunities. We're especially proud that six of these individuals have already secured employment within our clubs.

Since March 2024, we have partnered with The Trussell Trust, collecting food donations across our business to help combat hunger in the UK. Contributions from members and team members will support The Trussell Trust's vital work, providing emergency food assistance to people facing hardship.

Beyond our national campaigns, we are dedicated to making a meaningful impact in the communities surrounding our clubs. We achieve this by supporting local causes, organising fundraising initiatives, and empowering our team members to contribute their time and expertise to community outreach efforts. In 2024, we funded over 2,250 staff volunteer hours, enabling our team to provide hands-on support for the causes that matter most to them.

- David Lloyd Chigwell raised an impressive £15,000 for Chabad Lubavitch, North East London and Essex Foodbank, with members and team members taking part in a 12-hour Spinathon.
- David Lloyd Newbury raised a massive £42,000 for New Life Babies, which provides neo-natal equipment to special care baby units, improving the chances of survival and well-being for newborns. The club held a 24-hour Sportathon and fun day.

As we look to the future, we are setting even more ambitious goals. In 2025, we aim to: raise £3 million for charitable causes; facilitate 2,500 charitable activities and volunteer hours and expand our partnerships to maximise community impact.

Making a Difference to our Team Members

Our people are at the core of our success. We are committed to fostering an inclusive workplace where every team member has the opportunity to thrive, feel a sense of belonging, and maintain positive well-being. In recognition of our commitment to workplace excellence, we were named a Top 10 Very Big Best Places to Work by The Sunday Times in 2024.

Deuce Midco Limited

Strategic Report for the Year ended 31 December 2024

Making a Difference to our Team Members (continued)

Employee Involvement

We actively measure employee engagement through a biannual online survey, ensuring that the Board remains responsive to employee needs. Each department develops action plans to enhance engagement continuously. In the current period, we achieved an 87% employee engagement score, reflecting a 1% increase from 2023.

Acknowledging and rewarding achievements is a core aspect of our culture, reflected in our 'Thank You' value. Our Team Member of the Month program operates across all clubs, recognising outstanding contributions. At the end of each year, every club selects a Team Member of the Year, who is rewarded with an all-expenses-paid trip alongside fellow winners. In 2024, our top-performing team members were rewarded with a luxury four-day trip to Dubai, celebrating their exceptional contributions to our business.

Promoting Learning and Development

The Group is committed to fostering a culture of continuous learning and professional growth. Our comprehensive learning and development initiatives provide all team members with the opportunity to enhance their skills, gain nationally recognised qualifications, and advance their careers. Key programs include:

- **Apprenticeship Programmes:** Apprenticeships play a crucial role in our approach to learning and development, enabling team members to upskill and progress within the organisation. We currently offer 40 different apprenticeship programmes, ranging from Level 2 (entry-level) courses to Level 7 (post-graduate level) options. Since the launch of the Apprenticeship Levy in 2017, nearly 1,000 team members have enrolled in an apprenticeship programme, with 620 successfully achieving their qualifications to date.
- **Step Up to Head of Department:** Delivered in collaboration with our apprenticeship providers, this programme is designed to support and upskill team members aspiring to Head of Department (HoD) roles. Since its inception in 2022, more than 320 team members have participated, with 56% of candidates successfully securing HoD positions.
- **Step Up to General Manager:** This programme is tailored to prepare team members for General Manager (GM) roles. The initiative has proven highly successful, with 69% of graduates from the summer 2023 cohort now working as GMs within the business.

Our E-Learning Management System provides all team members with access to a wide range of training and development modules. This platform ensures that learning is flexible, accessible, and tailored to individual career aspirations.

Through these initiatives, we continue to invest in our people, empowering them to reach their full potential and drive success within our organisation.

Employee consultation

The Group places significant importance on effective communication with its employees and remains committed to keeping them informed about matters impacting the Group's performance. This is achieved through a combination of formal and informal meetings, the Group's employee engagement platform, DL Connect, and regular business updates from the Chief Executive Officer.

To support new employees, the Group provides a structured induction program along with any necessary job-specific training, ensuring they gain a comprehensive understanding of the Group's operations, their roles, and performance expectations.

Employee engagement is further strengthened through ongoing discussions regarding roles and responsibilities, fostering a culture of open, two-way feedback. Performance is assessed against annual objectives, with formal reviews conducted as part of personal development planning. These initiatives are embedded in the Group's four "People Non-Negotiables," which ensure that every employee receives an induction, sets clear objectives, participates in regular progress discussions, and undergoes an end-of-year performance review.

This structured approach reinforces the Group's commitment to employee development, performance management, and continuous improvement.

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Making a Difference to our Team Members (continued)

Team Member Wellbeing

The wellbeing of our team members remains a priority for the Group. Recognising that wellbeing is multifaceted, we have established three key pillars – Physical, Mental, and Financial Health – with a range of benefits designed to support our employees' overall wellbeing.

(i) Physical Health

To promote an active and healthy lifestyle, all team members receive complimentary membership at our clubs. Additionally, each team member is entitled to a free adult associate membership, complimentary access for DL Kids associates, guest passes, and participation in our friends and family referral scheme. To further support physical wellbeing, the Group provides a free flu vaccination to any team member not eligible under the NHS program.

(ii) Mental Health

We acknowledge the importance of mental wellbeing alongside physical health. To support this, the Group provides Accredited Mental Health First Aid Training to managers, equipping them to assist employees facing mental health challenges. A confidential Employee Advice Line is available to all team members and their families, offering guidance on personal and professional challenges. Additionally, every employee is granted their birthday as a day off, encouraging personal time for relaxation and self-care.

(iii) Financial Health

The Group is committed to fair and competitive remuneration. As of 1 April 2024, the minimum base wage for all UK hourly paid employees increased to £11.54 per hour, exceeding the National Living Wage. Further financial wellbeing initiatives include:

- Wagestream: Offering employees the flexibility to access earned wages before their scheduled pay date.
- Pension & Life Assurance: A contributory pension scheme and company-funded Life Assurance to provide financial security.
- Mediacash Healthcare Scheme: Introduced on 1 March 2025, providing employees with access to healthcare benefits.
- Employee Discounts: Significant discounts on healthy menu options within our clubs.
- Flexible Benefits Scheme: Enabling employees to select benefits that suit their individual needs in a tax-efficient manner.
- Performance-Based Incentives: Employees have defined objectives aligned with the Group's strategic goals and key performance indicators. The Group's bonus scheme, available to eligible salaried employees, recognises individual contributions and is awarded based on both individual and Group performance.

By investing in these initiatives, the Group reaffirms its commitment to supporting the wellbeing and financial security of its team members.

Employee health and safety

The Group is committed to ensuring a safe and healthy workplace for all team members. We take all reasonable steps to maintain a secure working environment and provide the necessary training and support to enable employees to perform their duties safely and effectively.

Health and safety are shared responsibilities across all levels of the organisation. Directors, managers, and team members are collectively accountable for implementing and upholding health and safety policies to foster a culture of well-being and compliance.

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Diversity, Equity & Inclusion

In September 2023, the Group launched a new Diversity, Equity, and Inclusion (DE&I) Strategy, reinforcing our commitment to fostering an inclusive and equitable workplace. We strive to create an environment where all team members feel valued, respected, and empowered to thrive.

Our DE&I Mission Statement reflects our dedication to promoting diversity, ensuring equity, and fostering inclusion across all levels of our organisation. Through our inclusive and winning culture, we support a sense of belonging for our team members, recognising David Lloyd Clubs as a Great Place to Work.

To drive meaningful progress, we have implemented key initiatives, including:

- A dedicated DE&I strategy aligned with our corporate values;
- Quantitative KPIs measuring DE&I progress across all levels of the business;
- A fair and transparent application process for leadership development programs; and
- The introduction of two new policies: DE&I Awareness and Personal Dignity, Respect & Belonging.

Furthering our commitment, we launched mandatory DE&I training for all team members and introduced Inclusive Recruitment and Manager training to ensure equitable hiring and leadership practices.

In 2024, we established Inclusion Resource Groups (IRGs) – voluntary, employee-led groups designed to foster workplace diversity and drive positive change. Initially, six IRGs were introduced, representing Countries, Disability, Ethnicity, Mental Health, Pride, and Women, providing a platform for underrepresented voices within our organisation.

We are proud to have been awarded the Silver Accreditation by WiHTL, the leading DE&I body serving the hotel, travel, and leisure industry. This recognition underscores our commitment to DE&I and acknowledges our leadership's proactive approach to fostering an inclusive culture.

Our DE&I initiatives remain integral to our long-term strategy, reinforcing our vision of My Club for My Life and ensuring a positive and equitable experience for all stakeholders.

Gender diversity

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

	As at 31 December 2024				As at 31 December 2023			
	Male		Female		Male		Female	
	No.	%	No.	%	No.	%	No.	%
Directors	6	100	-	-	7	100	-	-
Senior managers	157	69	71	31	156	70	67	30
Employees (Headcount)	4,890	43	6,543	57	4,568	42	6,310	58
Total	5,053		6,614		4,731		6,377	

The Board of Directors consists of statutory directors and non-executive directors who actively participate in board meetings. Senior managers are defined as individuals holding key leadership roles, including General Managers, Regional Managers, Regional Sales Managers, senior positions within Club Support, direct reports to the Executive Board, or members of the Executive Board. This collective group of senior managers is referred to as the "Transformation Group."

Appointments to the Board are made based on merit, ensuring the optimal combination of skills, experience, and industry knowledge necessary for effective decision-making and constructive governance.

Deuce Midco Limited

Strategic Report for the Year ended 31 December 2024

Diversity, Equity & Inclusion (continued)

Gender pay

In accordance with the Equality Act 2020 (Gender Pay Gap Information) Regulations 2017, the Group's Gender Pay Gap Report for 2024 is available on our corporate website: www.davidlloyd.co.uk.

The Group remains committed to its Inclusion Strategy, which focuses on increasing female representation across the business, particularly in historically underrepresented roles. The 2024 Gender Pay Gap data reflects positive progress, showing a reduction from the prior year:

2024 Gender Pay Gap (Mean): 11.7% (2023: 14.8%)

This reduction demonstrates our ongoing commitment to fostering a more inclusive workplace. A key priority is increasing the proportion of females in senior leadership positions, particularly in Regional Manager, General Manager, and Assistant General Manager roles.

As part of our Inclusion Strategy, we have set the following targets for female representation in Senior Leadership roles (including the Executive Team, Senior Leadership Support Team, Regional Managers, and General Managers):

- 40% female representation by the end of 2025
- 50% female representation by the end of 2028

Currently, females account for 30.3% of Senior Leadership roles (27.1% as at 5 April 2024 as per the latest gender pay gap reporting), and we remain focused on achieving these targets through talent development and recruitment initiatives.

Employment of disabled persons

The Group is committed to equal employment opportunities and ensuring an inclusive workplace for individuals with disabilities. All applications from disabled candidates are given full consideration in alignment with their skills and abilities.

In cases where an existing employee becomes disabled, the Group takes all reasonable steps to support their continued employment, including making necessary workplace adjustments and providing appropriate training. The Group's policy ensures that training, career development, and promotional opportunities for disabled employees are, wherever possible, identical to those available to all other employees.

3. Governance

In 2021, the Board established an Environmental, Social, and Governance (ESG) Committee to assess climate-related and other social and environmental risks and opportunities, with the objective of enhancing the Group's sustainability initiatives. The ESG Committee is chaired by the Executive Chairman, Glenn Earlam, with additional Board attendees including Russell Barnes (Chief Executive Officer) and Patrick Burrows (Chief Financial Officer).

The ESG Committee is responsible for formulating the Group's ESG strategy and overseeing its implementation. It meets quarterly and provides regular reports and updates to the Board to ensure ongoing alignment with the Group's long-term sustainability goals.

Our commitment to responsible governance extends across all aspects of our business operations. We uphold full compliance with legal and regulatory requirements while maintaining fair, transparent, and ethical business practices.

The Group's governance structure ensures clear leadership, accountability, and strategic oversight. The Board is responsible for defining our Vision, Values, and overall corporate strategy, while the Executive Team is tasked with executing these strategies and policies. Further details on the role and responsibilities of the Board can be found in the Section 172(1) Statement.

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Health and safety

The Group is committed to maintaining the highest standards of health and safety while delivering an exceptional experience for our members. Our clubs undergo regular assessments covering food safety, fire safety, legionella, licensing, and general health and safety compliance. The majority of our clubs meet or exceed these standards, and for those that require improvement, we provide targeted coaching, guidance, and support to ensure compliance. Each club receives multiple internal audits and support visits annually to drive continuous improvement and reinforce a strong safety culture.

All UK clubs have received a Food Standards Agency (FSA) / Food Standards Scotland (FSS) grading of “good” or “very good” (or “pass” in Scotland), with 91 clubs achieving the highest rating.

In response to increasing consumer demand for transparency in food ingredients, we provide a comprehensive allergen menu accessible via our website, mobile app, and at the point of sale. This menu clearly identifies the fourteen major allergens present in our food offerings. Our menu strategy supports members in making informed health and wellness decisions by offering balanced choices, including vegetarian, vegan, and under-600-calorie options. Additionally, we provide beverages that fall below the sugar tax threshold. Calorie information is prominently displayed on our menu and app, reinforcing our commitment to transparency and well-being.

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

Internal Health & Safety Audit Scores	2024	2023
	Number of visits	Number of visits
Audits during the period	113	134
Scoring over 80%	111	128
Scoring 70% to 80%	2	5
Scoring under 70%	-	1

FITcert Gold Standard Certification

We are proud to announce that we have achieved the FITcert Gold Standard Certificate for Operational and Health & Safety Excellence. We are the first and only operator to receive full certification across all our clubs, a testament to our unwavering commitment to excellence.

FITcert is a prestigious accreditation overseen by EuropeActive and industry experts. This certification assesses best practices in Operations and Management, Customer Service Standards, and ensures a safe and appropriate environment for all members.

Following the latest European standards (EN17229), we have achieved Level 4 Full Certification – the highest level attainable. This means that all our clubs consistently meet the EN17229 Gold Standard, ensuring the best possible experience for our members. This achievement underscores our dedication to providing a safe, high-quality, and industry-leading fitness experience.

Anti-bribery and anti-corruption

The Group is committed to maintaining the highest standards of integrity and ethical conduct in all business activities. To this end, we have established comprehensive anti-bribery and anti-corruption policies, which are accessible to all employees via the company intranet.

All instances of giving or receiving gifts, hospitality, or entertainment that exceed a pre-determined de-minimis threshold must be recorded in the Gift, Hospitality, and Entertainment Register. Any concerns or potential breaches must be promptly reported to the designated Bribery Act Compliance Officer.

Furthermore, all employees are required to complete mandatory training on anti-bribery and anti-corruption through the Learning Management System. This training ensures awareness of relevant legal and regulatory requirements, as well as the company’s zero-tolerance stance on bribery and corruption.

By adhering to these policies and procedures, we uphold our commitment to ethical business practices and compliance with applicable anti-bribery and anti-corruption laws.

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Strategic Report for the Year ended 31 December 2024

Tax strategy

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

Ultimate responsibility for The Topco Group’s tax strategy and compliance rests with The Board of Deuce Midco Limited (Deuce Topco Limited is a parent of Deuce Midco Limited), as delegated to the Chief Financial Officer (“CFO”). The CFO is the Board member with responsibility for tax matters and day-to-day management of the tax affairs delegated to the Head of Tax.

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

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

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

The Topco Group manages tax risks to ensure compliance with legal requirements in a manner which ensures payment of the right amount of tax. At all times the Topco Group seeks to comply fully with its regulatory and other obligations and to act in a way which upholds its reputation as a responsible corporate citizen. The Topco Group takes a balanced approach to tax risk and does not engage in arrangements that are designed solely to reduce tax liabilities.

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

Human Rights and Modern Slavery

The Group is committed to respecting and upholding internationally recognised human rights across all aspects of our business and supply chain. In line with the UK Companies Act 2006 (Section 414C), we recognise our responsibility to prevent and mitigate adverse human rights impacts arising from our operations.

We support the principles set out in the UN Guiding Principles on Business and Human Rights, the International Labour Organisation’s Core Conventions, and the International Bill of Human Rights. Our approach includes:

- Promoting equality, diversity, and non-discrimination in the workplace
- Ensuring safe, fair, and inclusive working conditions for all employees
- Prohibiting child labour, forced labour, and modern slavery, in line with the UK Modern Slavery Act 2015
- Conducting supply chain due diligence to manage human rights risks

Our Slavery and Human Trafficking Statement for the financial year ended 31 December 2024 has been published on our website and can be accessed at: www.davidlloyd.co.uk.

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Strategic Report for the Year ended 31 December 2024

Commitment to a Safe and Respectful Workplace

The Group upholds a strict zero-tolerance policy on sexual harassment and is committed to fostering a workplace environment where all employees, members, and third parties are treated with dignity and respect. We actively take measures to prevent harassment in any form, ensuring compliance with our legal obligations under the Worker Protection (Amendment of Equality Act 2010) Act 2023.

In line with our commitment, we have implemented robust measures, including:

- Mandatory training for all employees to enhance awareness and understanding of sexual harassment prevention.
- Specialised training for managers to equip them with the skills necessary to identify, prevent, and address harassment effectively.
- Confidential reporting mechanisms that encourage employees to raise concerns, ensuring all reports are handled with sensitivity and discretion.
- Ongoing policy reviews to strengthen our framework for maintaining a safe and inclusive working environment.

We remain dedicated to continuous improvement, ensuring our workplace policies align with best practices and regulatory requirements. For further details, our full Sexual Harassment Policy is available at www.davidlloyd.co.uk.

Whistleblowing Policy

At David Lloyd Clubs, integrity and ethical conduct are core values embedded in our culture. We are committed to fostering an environment where employees feel encouraged and supported in reporting any suspected malpractice or unethical behaviour in the workplace. To facilitate this, we have established a Whistleblowing Policy, which provides clear guidelines on raising concerns safely and confidentially. Employees can report issues through two anonymous helplines:

- Whistleblowing Anonymous Helpline – Monitored by the Employee Relations Manager and escalated to governance authorities when necessary.
- Report a Concern Anonymous Helpline – Available for employees to report concerns confidentially.

Both helplines ensure confidentiality, and we maintain a strict non-retaliation policy to protect individuals who come forward in good faith.

Risk management

The Board holds overall responsibility for identifying and managing risks, striving to balance opportunity-seeking to achieve strategic objectives with effective risk mitigation. The Executive Committee, under the Board's delegation, integrates risk considerations into the daily management of the business.

The Executive Committee's primary objective is to establish policies and internal controls that minimise risk while maintaining the Group's competitiveness and agility.

As part of its 2024 review, the Board – through the Executive Committee – has identified five principal risks, outlined below. Additionally, both the Board and the Executive Committee continually assess emerging risks as part of their ongoing review process.

Principal risks and uncertainties¹

The principal risks and uncertainties outlined below are those we consider material to our business model and that could negatively impact the Group's operations, revenue, profitability, cash flow, or assets.

Member Experience ➡

Our commitment to delivering a premium club experience is key to driving sustainable, profitable growth. With over 75% of the Group's revenue generated through member subscriptions, attracting and retaining members is critical to our success. A decline in membership could negatively impact revenue and profitability.

¹ Key

Change in risk assessment from prior year: ↑ Increasing Risk

Deuce Midco Limited

Strategic Report for the Year ended 31 December 2024

Principal risks and uncertainties (continued)

Member Experience (continued) ➡

To mitigate this risk, we continuously invest in our club facilities and enhance our product offerings to provide exceptional value. We encourage members to fully engage with their membership, ensuring they experience the best our clubs have to offer. Member satisfaction and feedback play a vital role in shaping our services, and we actively monitor club usage to optimise the overall experience. Additionally, we invest in our team members to elevate service standards, ensuring a consistently high-quality experience for all members.

Injury or fatality of club members ➡

Any injury or fatality of a member (or employee) while using our clubs could significantly impact the Group's reputation and value. Failure to manage this risk may lead to reputational damage, criminal or civil liabilities, and regulatory fines. The key risks identified include:

- Drowning;
- Child safeguarding incidents;
- Fire hazards; and
- Allergen-related incidents.

To mitigate these risks, the Group has implemented stringent safety measures, including:

- Swimming pool safety: Prominent signage and remote monitoring outside lifeguarding hours.
- Child safeguarding: Documented procedures and operating practices for supervising children within the DL Kids programme.
- Health and safety governance: Regular audits conducted at every club.

All policies undergo continuous review to ensure their effectiveness. Additionally, where possible, the Group secures comprehensive insurance coverage to further manage these risks.

Climate Change ➡

Climate change presents a critical global challenge, with significant financial and operational implications. Scientific consensus indicates that global warming must be limited to 1.5°C to mitigate severe climate-related impacts. To achieve this, greenhouse gas (GHG) emissions must be reduced by 50% by 2030 and reach Net Zero by 2050. Notably, 2024 was the warmest year on record, and according to the World Meteorological Organisation (WMO), it is likely the first calendar year where the global mean temperature exceeded 1.5°C above pre-industrial levels (1850–1900 average). As a result, we recognise climate change as a principal risk to our business and broader economic stability.

Climate-related risks are broadly categorised into physical risks and transition risks.

Physical Risk

Physical risks are classified as either **acute** or **chronic**:

Acute physical risks are event-driven and stem from increased severity and frequency of extreme weather events such as hurricanes, floods, and wildfires. These events can disrupt business operations, damage infrastructure, and impact supply chains.

In November 2024, our Malaga club was temporarily closed due to flooding, caused by a nearby river overflowing. The closure was a short-term measure implemented to ensure the safety of our staff, members and facilities. There was no damage to the club.

Chronic physical risks result from long-term climate shifts, including rising global temperatures, sea-level rise, and prolonged heatwaves. These factors can increase operational costs, particularly in climate-sensitive regions, affect supply chain reliability, and pose risks to employee safety and business continuity.

Deuce Midco Limited

Strategic Report for the Year ended 31 December 2024

Principal risks and uncertainties (continued)

Climate Change (continued) ➡

Transition risks

Transition risks arise from regulatory, market, and technological shifts aimed at mitigating climate change. These include:

- Carbon pricing and taxation, leading to higher costs for GHG emissions.
- Stricter regulations, including mandates on energy efficiency, sustainable practices, and emissions reduction for buildings and equipment.
- Increased supply chain costs, including rising water tariffs and expenses associated with sourcing sustainable materials.
- Asset impairment risks, where policy changes or technological advancements may lead to the early retirement of existing infrastructure, financial penalties, or increased compliance costs.

To address these risks, we continue to implement mitigation strategies outlined in our Non-Financial and Sustainability Information Statement (pages 32–40). This includes our approach to climate-related risk management, adaptation measures, and our commitment to achieving sustainability targets in line with global climate objectives.

Cyber and data security ➡

The Group manages business-critical and confidential information, including personal data, electronically. Unauthorised access, data loss, or disclosure due to cyber-attacks or breaches could result in regulatory penalties, operational disruptions, reputational damage, and legal claims. The global landscape of cyber threats continues to evolve, increasing in both frequency and sophistication. We intercept over 300 million cyber threats annually across our apps, servers, and mailboxes, reinforcing our view that Cyber and Data Security is a principal risk.

Cyber security remains a top priority for the Group. We implement robust measures to defend, prevent, protect, recover, and respond to emerging cyber threats and risks. Our approach includes:

- Security Governance: A monthly Cyber Security Steering Committee, chaired by key Executive Stakeholders, assesses risks and drives improvements in technologies, policies, and procedures.
- Continuous Investment: We continuously enhance our cyber capabilities to manage and mitigate evolving risks.
- Data Protection: Sensitive data is stored and shared in compliance with GDPR and closely monitored.
- Incident Response: A clear and structured incident response process ensures swift and secure resolution of security breaches.
- Supplier Assurance: We conduct regular security reviews of suppliers as part of our due diligence.
- Security Strategy: Our comprehensive security strategy is reviewed frequently to stay ahead of threats.
- Cyber Awareness: All team members must complete mandatory security awareness training.
- PCI Compliance: We ensure that all credit and debit card transactions are processed securely.
- Business Continuity: ISO 22301-certified technology solutions and business continuity plans enable rapid recovery from cyber incidents.
- ISO 27001 Accreditation: We are ISO 27001 certified, signifying adherence to the highest standards of cyber security controls, policies, and procedures.
- Cyber Insurance: We maintain cyber insurance policies to mitigate financial risks associated with cyber threats.

By prioritising cyber security at every level, we continue to strengthen our resilience against ever-evolving cyber threats, ensuring the safety and security of our data, operations, and stakeholders.

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Strategic Report for the Year ended 31 December 2024

Principal risks and uncertainties (continued)

Information Technology Dependency Risk ➡

Our operations rely heavily on accurate and timely information from critical software applications. Any disruption to these IT systems could lead to operational inefficiencies, hinder revenue collection, and result in financial losses.

To mitigate this risk, we ensure that:

- Our primary data systems are hosted by fully certified third-party providers in secure and compliant data centres.
- All membership and business-related data is regularly backed up to prevent data loss.
- Robust disaster recovery and business continuity plans are in place to minimise downtime and ensure swift recovery in case of an incident.

These measures help safeguard business operations and maintain service continuity in the face of potential IT disruptions.

Emerging Risks

The rapid advancement of Artificial Intelligence (AI), including Generative AI, presents both significant opportunities and emerging risks for businesses, economies, and society. While AI enhances efficiency, innovation, and decision-making, it also introduces challenges such as ethical considerations, security vulnerabilities, regulatory complexities, and potential unintended consequences.

During the year, the Group launched its first Generative AI-powered tool, Petar (People Team AI Responder), designed to assist managers and administrators by providing accurate, policy-based responses to HR-related inquiries. Petar enhances efficiency by delivering instant, consistent, and reliable information aligned with the Group's people policies.

As AI adoption expands, the Group remains committed to managing associated risks through a structured AI governance framework. This includes implementing technology safeguards, ensuring regulatory compliance, and maintaining human oversight to promote ethical, secure, and responsible AI deployment. By proactively addressing these challenges, the Group aims to leverage AI's benefits while mitigating potential risks to business operations and stakeholders.

Financial review of the business

The UK economy grew by 0.8% in 2024, following a 0.4% rise in 2023. However, the Bank of England projects a slower growth rate of 0.75% in 2025, a downward revision from its earlier 1.5% forecast. Persistent high inflation remains the primary obstacle to economic growth, driven by rising wages, national insurance costs for businesses, and increasing energy and water bills for consumers.

Over the 12 months leading to March 2025, the Consumer Prices Index (CPI) increased by 2.6%, exceeding the Bank of England's 2% inflation target. The Monetary Policy Committee (MPC) is responsible for setting monetary policy to achieve this target while also supporting economic growth and employment. The Bank of England reduced its base interest rate to 4.50%, down from 5.25% in April 2024.

The global health and wellness market is witnessing rapid expansion, fuelled by growing consumer awareness, technological innovations, and evolving lifestyle choices. This dynamic sector spans multiple areas, including nutrition, fitness, mental well-being, preventive healthcare, and wellness tourism.

Recent industry reports estimate the global health and wellness market to be worth over \$2 trillion, with a strong trajectory for sustained growth and long-term opportunities. The fitness industry in the UK and across Europe has seen remarkable progress, with gym memberships reaching unprecedented levels. In 2024, the UK recorded 10.7 million gym members, up from 10.3 million in 2023.

Deuce Midco Limited

Strategic Report for the Year ended 31 December 2024

Financial review of the business (continued)

Financial KPIs

The Group's key financial performance indicators (KPIs) are presented in the table below. These metrics have been identified by management as the most relevant measures for assessing the Group's underlying trading and financial performance. They are also used to report performance to the Board and external lenders.

Financial KPI	2024 £ 000	2023 £ 000	Definition
Revenue	860,773	756,321	Revenue as defined in the accounting policies section of these financial statements.
Reported EBITDA	301,381	238,447	Outlined in the Non-statutory measures section below.
Adjusted EBITDA (pre-IFRS 16)	230,645	174,002	Outlined in the Non-statutory measures section below.
Profit for the financial year	52,970	24,185	Net result calculated in accordance with IFRS accounting standards.
Net debt (excl. IFRS 16 lease liabilities)	(891,865)	(905,220)	As defined on page 25.

Revenue

The Group generated revenue of £860.8m for the year ended 31 December 2024 (2023: £756.3m), representing an increase of £104.5m (14%). This growth was primarily driven by:

- Higher average membership numbers compared to the prior year.
- An increase in the average yield per member, up £7.40 year-on-year, reflecting strong demand for the Group's premium Platinum and Diamond packages and an average price increase of 6.6%.

Membership grew by 3.9%, driven by a combination of like-for-like (LFL) growth and two new club openings, including the acquisition of Shrewsbury and the launch of a new club in Bury St Edmunds. The Group closed the year with 785k members, an increase of 30k from December 2023.

Cost of Sales

Cost of sales increased by £20.7m (11%) to £208.5m (2023: £187.8m), reflecting higher revenue and inflationary cost pressures. The gross margin improved by 1% to 76% (2023: 75%).

Other Income

Other income for the year totalled £3.6m (2023: £3.7m), primarily comprising construction contract revenue of £2.8m (2023: £2.6m).

Administrative Expenses

Administrative expenses amounted to £73.9m (2023: £76.9m), reflecting a decrease of £3.0m (4%). The reduction was principally driven by pre-opening costs and the long-term incentive scheme charge, which decreased by £2.2m and £3.0m year-on-year respectively.

Other Operating Expenses

Other operating expenses totalled £376.6m (2023: £346.3m), an increase of £30.3m (9%). The increase was primarily driven by labour costs which were £12.0m higher year on year and increases across a number of other cost categories including cleaning (£3.4m), laundry (£2.4m), and exceptional items (£4.5m).

Depreciation and amortisation increased by £3.2m reflecting the continuing capex investment across both FY24 and FY23. In addition, a net impairment charge of £7.7m was recognised within operating expenses, consisting of net impairment reversals of £13.3m for PP&E and right of use assets, and a goodwill impairment charge of £21.0m. Impairment reversals are driven by strong Group performance in FY24 which is expected to continue into FY25. Goodwill impairment relates to the Germany CGU and reflects that the Germany economy remains challenging. Utility costs were down £10.5m year on year reflecting lower market spot prices.

Deuce Midco Limited

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Financial review of the business (continued)

Impairment Losses on Financial Assets

The impairment charge on trade and other receivables, in accordance with IFRS 9, amounted to £15.7m (2023: £14.6m), representing 2.2% of membership subscription revenues (2023: 2.4%). The reduction in bad debt as a proportion of membership income contributed to the stable impairment charge.

Profit/(Loss) on Disposal

The Group recorded a profit on disposal of £3.8m (2023: loss of £0.6m), primarily driven by a £4.1m gain from exiting the Utrecht lease.

Operating Profit

Operating profit for the year was £193.4m (2023: £133.7m), an increase of £59.7m. This improvement was driven by the revenue growth explained above.

Net Finance Costs

Net finance costs decreased by £1.6m compared to the prior year, driven by a £5.9m increase in foreign exchange gains. The Group recorded a foreign exchange gain of £11.4m (2023: £5.5m), primarily due to favourable exchange rate movements on Euro-denominated borrowings. This was partially offset by a £4.0m increase in interest on lease liabilities.

Taxation

The tax charge for the year was £13.6m (2023: £18.9m credit), reflecting the Group's return to taxable profitability.

Profit for the Year

The Group reported a profit after taxation of £53.0m (2023: £24.2m). The significant increase was driven by the improved operating performance, as outlined above.

Non-statutory measures

Adjusted EBITDA (pre-IFRS 16) is the Group's key measure of profitability and a non-statutory financial metric. As it is not defined under International Financial Reporting Standards (IFRS), it may not be directly comparable to similar measures reported by other entities.

Management considers Adjusted EBITDA (pre-IFRS 16) to be the most appropriate measure for assessing the Group's underlying trading and financial performance. This metric is used for internal reporting, performance evaluation, and external communication with both the Board and lenders. By excluding the impact of IFRS 16, this measure provides a clearer view of operational profitability before the recognition of lease liabilities.

Adjusted EBITDA (pre-IFRS16) represents profit or loss for the financial year, before net finance cost, taxation, depreciation, amortisation, profit/loss on disposal, exceptional items (as defined in these financial statements), share based payment charges, pre-opening costs, closed club costs, gains from construction contracts, net impairments of non-current assets, other legal and professional fees, restructuring costs, integration, acquisition and aborted expenses, monitoring fees and non-executive director fees, foreign exchange differences and after rent expense on a pre-IFRS16 basis.

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

Deuce Midco Limited

Strategic Report for the Year ended 31 December 2024

Financial review of the business (continued)

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

	31 December 2024	31 December 2023
	£ 000	£ 000
Profit for the financial year	52,970	24,185
Income tax charge/(credit)	13,592	(18,883)
Net finance costs	126,803	128,425
Operating profit	193,365	133,727
Depreciation and amortisation	101,260	98,069
(Profit)/loss on disposal	(3,759)	608
Exceptional items (note 6)	10,515	6,043
Reported EBITDA	301,381	238,447
Rent expense	(93,273)	(87,860)
Pre-opening costs	2,272	4,445
Monitoring fees and non-exec director fees	141	2,056
Long-term incentive scheme	2,256	5,239
Other legal and professional fees	1,101	233
Restructuring	1,738	-
Closed club costs	2,034	1,702
Gains from construction contracts	(461)	(1,388)
Net impairments of non-current assets ²	7,709	3,716
Integration, acquisition and aborted expenses	4,658	7,258
Foreign exchange difference	1,089	154
Adjusted EBITDA (pre-IFRS16)	230,645	174,002

Definitions

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

Pre-opening costs - the total of all club operating costs incurred prior to the opening of a new club, re-opening of a club closed for refurbishment or the opening of a spa retreat. This primarily consists of staff costs and marketing costs.

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

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

Other legal and professional fees – costs associated with corporate activities outside of normal business operations.

Restructuring – costs arising from the planned restructuring of a department.

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

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

Net impairments of non-current assets – the net impairment charge, being the impairment charge, offset by any impairment reversals, recognised in respect of goodwill, property, plant and equipment and right-of-use assets.

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

Foreign exchange difference - difference between rate used for Adjusted EBITDA (pre-IFRS 16) and actual exchange rate.

The Group recorded an Adjusted EBITDA (pre-IFRS 16) profit of £230.6m (2023: £174.0m), representing a record performance and an increase of £56.6m (32.5%) compared to the prior year. This growth was primarily driven by higher revenue, resulting from an increase in member count and yield.

² Net impairments of non-current assets comprised an impairment charge of £32.1m offset by impairment reversals of £24.4m.

Deuce Midco Limited

Strategic Report for the Year ended 31 December 2024

Financial position including capital structure

The Group has net liabilities of £312.0m (2023: £359.2m) and net current liabilities of £130.0m (2023: £128.8m) at the balance sheet date.

	31 December 2024	31 December 2023
	£ 000	£ 000
Non-current assets excluding right-of-use assets	942,717	907,135
Right-of-use assets	1,142,902	1,096,192
Current assets (excluding cash)	22,345	18,215
Cash and cash equivalents	8,668	7,713
Current liabilities excluding loans and lease liabilities	(153,179)	(148,397)
Non-current liabilities excluding loans and lease liabilities	(218,256)	(231,439)
Lease liabilities	(1,166,321)	(1,108,526)
Loans and borrowings	(890,899)	(900,072)
Total net liabilities	(312,023)	(359,179)

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

Property, plant and equipment has increased by £88.6m driven by additions of £149.6m, assets of £6.1m acquired through business combinations and net impairment reversals of £7.5m offset by disposals of £3.3m, foreign exchange movements of £6.7m, and the annual depreciation charge of £55.8m.

Right-of-use assets have increased by £46.7m driven by additions of £80.7m. Partially offsetting this was the annual depreciation charge of £37.4m, foreign exchange movements of £7.9m, disposals of £3.3m and the net impairment reversals of £5.7m.

The decrease in intangible assets of £26.2m is driven by the impairment of goodwill of £21.0m, annual amortisation charge of £8.0m, and foreign exchange movements of £3.3m. This is partially offset by additions of £3.6m and £2.5m of intangibles acquired through business combinations.

Prepayments have increased by £4.7m. This is principally driven by an increase in costs incurred for pipeline sites prior to their acquisition.

Lease liabilities have increased by £57.8m principally driven by interest (£78.4m) and net additions (£83.2m) offset by lease payments of £95.7m (principal and interest) and a foreign exchange gain of £9.0m.

The net deferred tax liability has increased by £14.5m principally driven by the capital allowances claimed being in excess of the depreciation and amortisation charged.

Loans and borrowings have decreased by £9.2m driven by a favourable exchange movement of £11.4m on the Group's Euro denominated borrowings and the instalment payments of £0.8m against the loans from Spanish banks. This was offset by the annual amortisation charge on the loan fees of £3.1m.

The key terms of the Group's borrowing facilities at 31 December 2024 are summarised below:

	Loan amount	Maturity	Interest	Amount drawn
Sterling senior secured notes	£645.0m	15/06/2027	5.50%	£645.0m
Euro senior secured notes	€300.0m	15/06/2027	4.75% + EURIBOR	€300.0m
Super senior revolving credit facility	£125.0m ³	18/12/2026	3.25% + SONIA	£Nil
Kratus Inversiones D.A.C loan	€2.6m	31/03/2043	5.93%	€2.6m
Unicaja Banco loan	€2.8m	31/03/2029	6.03%	€2.8m

³ This £125.0m includes a £6.0m guarantee facility, leaving £119.0m available to be drawn.

Deuce Midco Limited

Strategic Report for the Year ended 31 December 2024

Financial position including capital structure (continued)

The Group has in issue senior secured notes (the “Notes”) listed on The International Stock Exchange. Deuce FinCo plc is the issuer of the Notes, with certain subsidiaries of the Group acting as guarantors. The Notes comprise: Sterling-denominated Notes, which bear interest at a fixed rate of 5.50% per annum, payable semi-annually; and Euro-denominated Notes, which bear interest at a rate of 4.75% per annum plus the three-month EURIBOR, payable quarterly in arrears. The Notes mature and are repayable in full on 15 June 2027.

The Group also has access to a £125 million super senior revolving credit facility (“SSRCF”), which matures on 18 December 2026. The SSRCF is subject to a financial covenant relating to the Group’s Consolidated Leverage Ratio (Net Debt to EBITDA), which is only tested if the facility is drawn by 40% or more. As part of its short-term funding arrangements, the Group has reallocated £34 million of the SSRCF into an overdraft facility and a further £6 million as a guarantee facility. In March 2025, the Group increased this guarantee facility from £6 million to £10 million, with a corresponding reduction in the overdraft facility to £30 million. The SSRCF was undrawn as at the reporting date and remains undrawn at the date of approval of these financial statements.

In addition, the Group assumed loans from Spanish banks as part of the acquisition of the Accura group. A loan of €2.6 million from Kratus Inversiones, bearing interest at 5.93%, repayable in monthly instalments, and maturing on 31 March 2043. A loan of €2.8 million from Unicaja Banco, bearing interest at 6.03%, repayable in monthly instalments, and maturing on 31 March 2029.

Capital Structure and Credit Rating

The Group’s capital structure is designed to support its long-term strategic objectives, maintain financial flexibility, and deliver sustainable value to stakeholders. It comprises a combination of equity and borrowings. The Group actively manages its capital to ensure an optimal balance between risk, cost of capital, and operational needs.

The Group monitors its capital structure using the gearing ratio, defined as total borrowings divided by the sum of total equity and borrowings. As at the reporting date, the Group’s gearing ratio was 118% (2023: 122%), reflecting its capital-intensive structure and leveraged financing model.

In February 2025, Moody’s Ratings upgraded the long-term corporate family rating (CFR) of Deuce Midco Limited to B2 from B3, with the outlook remaining stable. This upgrade reflects the Group’s consistent operating performance and improved credit profile.

Net debt reconciliation

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

	31 December 2023 £ 000	Cash flows £ 000	Non-cash movement £ 000	31 December 2024 £ 000
Cash and cash equivalents	7,713	1,123	(168)	8,668
Loans and borrowings (excl. loan arrangement fees)	(910,375)	2,156	10,094	(898,125)
Cash interest accrual	(2,558)	2,558	(2,408)	(2,408)
Net debt (excl. IFRS 16 lease liabilities)	(905,220)	5,837	7,518	(891,865)
Lease liabilities	(1,108,526)	93,157	(150,952)	(1,166,321)
Net debt	(2,013,746)	98,994	(143,434)	(2,058,186)

Cash and cash equivalents increased by £1.0m, which is explained in the statement of cash flows. The non-cash movement represents foreign exchange movements on cash held in foreign currency.

Loans and borrowings (excluding loan arrangement fees) have decreased by £12.3m primarily because of a non-cash foreign exchange gain of £11.4m on the Group’s Euro denominated borrowings. Other non-cash movements relate to the recognition of an external loan of £1.8m arising from the acquisition of The Shrewsbury Club. Upon completing the acquisition this external loan was settled and is included as a cash outflow. Other cash flow movements relate to monthly payments in respect to the loans from Kratus Inversiones and Unicaja Banco.

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Strategic Report for the Year ended 31 December 2024

Net debt reconciliation (continued)

Overall, net debt (excluding IFRS 16 lease liabilities) has decreased by £13.4m.

The increase in lease liabilities was driven by lease extensions at the Royal Berkshire and Notting Hill clubs, and numerous lease re-measurements as a result of rent reviews or options to extend. Other non-cash movements related to interest on lease liabilities charged and foreign exchange movements. Cash movements represent lease principal and interest payments made during the period, offset by lease incentives received. Overall net debt has increased by £44.4m.

Cash flow

The Group generated a net cash inflow from operating activities of £293.6m driven by reported EBITDA of £301.4m. This was offset by cash outflows from investing activities (£154.8m) and financing activities (£137.6m). The significant cash outflows within investing activities related to our 2024 capex programme, continued construction of our Bury St. Edmunds and Boadilla clubs, acquisition of Shrewsbury and land purchase in Herne Bay. Significant cash outflows within financing activities related to repayment of lease liabilities (£95.7m principal and interest), repayment of bank borrowings (£2.2m) and payment of interest (£58.8m) principally on the sterling and euro senior secured notes offset by proceeds from the sale and leasebacks of our Bury St. Edmunds club (£16.0m).

Financial risk management objectives and policies

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

Note 26 presents information about the Group's exposure to each of the above risks and describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them.

Outlook and trading update

The momentum which we saw throughout 2024 has continued into the start of the new year and current trading remains positive. Membership at the end of March 2025 was 793k, versus 785k at the end of 2024. The Group has a clear strategy in place to deliver further growth across the business, whilst maintaining the group's existing high average ROI (Return on Investment).

This growth strategy encompasses two key levers for the organic growth of new clubs in the UK and Europe, and premiumisation of existing clubs. We have a strong future pipeline of new clubs across the UK and Europe and 13 premiumisation projects already identified for 2025, including 8 spa retreats. In addition, four projects commenced during FY 2024 are due to complete in Q1 2025. The Board remains confident in the outlook for FY 2025 and beyond.

Section 172(1) statement

Section 172 of the Companies Act 2006 requires a director of a company to act in a way that they consider, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. This statement outlines how the directors have fulfilled their duties in accordance with Section 172 during the financial year ending 2024.

The Role of the Board

The Board of Deuce Midco Limited (the "Board") is committed to promoting the long-term success of the Group by creating shareholder value while contributing to a sustainable environment and a healthy society. A key principle underpinning the Board's approach is that acting in the best interests of our members, employees, and the communities in which we operate is fundamental to the Group's continued success. In fulfilling this responsibility, the Board carefully considers the long-term impact of its decisions on various stakeholders.

The Board operates at the Deuce Midco Limited level and comprises five executive directors and one non-executive director. As is standard for large organisations, the Board delegates the day-to-day management of the Company and its subsidiaries to the Executive Board. However, the Board retains responsibility for setting, approving, and overseeing the execution of the Group's business strategy and policies.

The corporate governance framework and Group policies are established by the Board of Deuce Midco Limited, ensuring compliance with fiduciary duties and responsibilities.

Deuce Midco Limited

Strategic Report for the Year ended 31 December 2024

The Role of the Board (continued)

The Board meets monthly to review the Group's performance and strategic direction. It considers stakeholder perspectives through multiple channels, including:

- The CEO's Board Report, providing insights into operational and strategic matters;
- Health & Safety, Strategy, and Finance reports, ensuring a robust risk management approach;
- Employee engagement surveys, offering valuable feedback from our workforce;
- The Business Plan process, aligning strategic objectives with long-term growth; and
- Corporate governance and regulatory updates, ensuring compliance with legal and ethical standards.

All formal Board meetings are minuted, with minutes formally approved at the subsequent meeting.

The Board recognises the importance of meaningful engagement with stakeholders and has adopted a structured approach to ensure their views are considered in decision-making. The following table outlines the Group's stakeholder engagement activities throughout the year:

a. The likely consequences of any decisions in the long-term.	The Board's decision-making is focused on ensuring the long-term sustainability of the Company. Each year, the Board reviews and approves the Business Plan, assessing the opportunities and risks facing the Group over the planning period. Additionally, the Executive Board conducts an annual review of broader socio-economic trends, evaluating their potential long-term impact. As part of its strategic oversight, the Board reviews the Group's strategy and key performance indicators (KPIs), ensuring alignment with corporate objectives. This strategy is communicated and discussed with the wider transformation group at an annual conference. The Board plays a central role in evaluating and approving significant capital expenditure (Capex) investments, acquisitions, and disposals. Each decision is carefully assessed for its financial viability and alignment with the Group's strategy and premium offering. No bids or contractual commitments are made without prior Board approval. During the year, the Board approved: • The acquisition of The Shrewsbury Club • The sale and leaseback of the Bury St Edmunds Club • The purchase of land in Herne Bay for the development of a new club • Various land lease/purchase agreements, subject to planning permission • The closure of Kiel and Utrecht clubs The Board receives regular and timely updates – at least monthly – on all key aspects of the business, including: Financial performance; Health and safety; Progress against Group strategies and KPIs. External factors are carefully evaluated to ensure that the potential long-term implications of key decisions are fully considered as part of the strategic planning process.
b. The interests of the company's employees.	The Board places significant importance on effective communication with employees and remains committed to keeping them informed about matters affecting them and the Group's performance. This is achieved through formal and informal meetings, the Group's employee app, DL Connect, and periodic business updates from the CEO.

Deuce Midco Limited

Strategic Report for the Year ended 31 December 2024

b. The interests of the company's employees (continued)	Employee engagement is measured twice annually through an online employee survey, ensuring that the Board actively listens to and responds to employees' needs. The wellbeing, engagement, and commitment of our team members are critical to the Group's long-term success. To support this, we have established three wellbeing pillars, offering benefits designed to enhance physical, mental, and financial health. The Board regularly reviews people-related matters, including health and safety and employee engagement. In 2024, we launched Inclusion Resource Groups (IRGs) – voluntary, employee-led groups aimed at fostering workplace diversity and driving positive change. These groups provide a platform for underrepresented voices, reinforcing our commitment to an inclusive and supportive workplace culture. For further details on employee engagement, refer to 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 key stakeholders in driving the long-term sustainable success of the Group. This commitment is reflected in our focus on strengthening relationships with members, employees, suppliers, and shareholders. <u>Members</u> At David Lloyd Clubs, we are committed to helping our members achieve their goals and improving their overall health, fitness, and wellbeing. As an industry leader, we strive to make a meaningful impact on our members' lives by fostering community and belonging, which positively influences mental health and wellbeing. Our vision, "My Club for My Life," has been central to our strategy for eight years and remains just as relevant today. In response to evolving member needs, we have introduced DLRun Club, DLBook Club, various Social Clubs, and "Happy to Chat" tables, all designed to create a more engaging and supportive environment. Member satisfaction is fundamental to our operating model, and we continuously invest in staff development and club facilities to enhance member experience, reduce attrition, and attract new high-quality members. We actively monitor member feedback through multiple channels, including Member Experience Scores and Mystery Visit Scores. For more details on our engagement with members, refer to pages 4 and 9 of the Strategic Report. <u>Investors</u> The Executive Committee is responsible for ensuring the proper governance and success of the Group. It represents the Group's shareholders and key stakeholders, including bondholders, through the development of strategy, values, and culture. Shareholders are represented on the Board and actively engaged through monthly Board meetings. Additionally, the Group presents quarterly results to its debt holders, where the Executive Chairman, Chief Executive Officer, and Chief Financial Officer are available to respond to investor inquiries.

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Strategic Report for the Year ended 31 December 2024

c. The need to foster the company's business relationships with suppliers, customers and others (continued).	<u>Suppliers</u> The Group values its supplier relationships and remains committed to fair and consistent treatment of supply chain partners. Recognising the importance of these relationships, we take steps to ensure supplier engagement and workforce well-being. To support recruitment, retention, and engagement, employees of our cleaning contractors are granted access to club facilities. Throughout the year, the Board received regular updates on payment practices and supply chain developments from business line leaders, ensuring transparency and ethical supply chain management.
d. The impact of the company's operations on the community and environment.	The Board's principal responsibility is to promote the long-term success of the Group by creating shareholder value while contributing to a healthy society and a sustainable environment. The Board recognises that Environmental, Social, and Governance (ESG) considerations are integral to the Group's values and strategy. As part of its governance responsibilities, the Board has oversight of climate-related risks and opportunities and remains committed to reducing the Group's environmental impact. <u>ESG Governance and Oversight</u> To ensure appropriate focus on ESG strategy and objectives, the Group has established the ESG Committee, which aims to: • Strengthen ESG leadership within the organisation • Inspire confidence among members and employees • Clarify expectations and responsibilities • Enhance long-term shareholder and stakeholder value The ESG Committee is chaired by the Executive Chairman, Glenn Earlam, with Russell Barnes (Chief Executive Officer) and Patrick Burrows (Chief Financial Officer) as additional Board attendees. The Committee meets quarterly and provides regular reports and updates to the Board. <u>ESG Training and Performance Integration</u> The Board has taken proactive steps to ensure that ESG considerations are embedded in its decision-making processes: • All Board members complete climate and sustainability training. • Each Board member has an ESG-related objective, linked to their remuneration. The Board also recognises that improving energy efficiency and reducing reliance on gas is aligned with the Group's financial objectives, including EBITDA growth. For further details, refer to the Non-Financial and Sustainability Information Statement on pages 32 to 40.

Deuce Midco Limited

Strategic Report for the Year ended 31 December 2024

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

Commitment to Responsible Governance

The Board is committed to maintaining high standards of corporate governance, ensuring compliance with legal and regulatory requirements while upholding fair, transparent, and ethical business practices.

Governance Structure and Oversight

The Group's governance framework provides clear leadership, accountability, and strategic oversight. The Board is responsible for defining the Group's Vision, Values, and corporate strategy, while the Executive Team is tasked with implementing and executing these strategies in alignment with the Group's long-term objectives.

Health and Safety Standards

The Group remains dedicated to ensuring the highest standards of health and safety, safeguarding the well-being of both members and employees. Each club undergoes regular assessments covering Food safety, Fire safety, Legionella compliance, Licensing regulations, and General health and safety standards.

The majority of clubs meet or exceed these requirements. Where improvements are required, targeted coaching, guidance, and support are provided to ensure full compliance. In addition, clubs undergo multiple internal audits and support visits annually to drive continuous improvement and reinforce a strong safety culture.

Anti-Bribery and Anti-Corruption

The Group is committed to maintaining the highest standards of integrity and ethical conduct in all business activities. To support this commitment, the Group has established comprehensive Anti-Bribery and Anti-Corruption policies, ensuring full compliance with relevant laws and regulations.

These policies are readily accessible to all employees via the company intranet, reinforcing the Group's zero-tolerance approach to bribery and corruption across all operations.

Human Rights and Ethical Conduct

The Group is fully committed to upholding human rights and ensuring compliance with all applicable laws and regulations. We maintain a zero-tolerance approach to modern slavery and conduct our business with integrity, transparency, and ethical responsibility.

Workplace Conduct and Harassment Prevention

The Group enforces a zero-tolerance policy on sexual harassment and is committed to fostering a safe and inclusive workplace for employees, members, and third parties. As part of this commitment:

- A Sexual Harassment Policy was launched in 2024 to reinforce expectations and best practices.
- All team members were required to complete mandatory training on this policy.
- Proactive measures are in place to prevent harassment in any form and promote a culture of dignity and respect.

For further details, refer to the Governance section of the Strategic Report on pages 14 to 15.

Deuce Midco Limited

Strategic Report for the Year ended 31 December 2024

f. The need to act fairly between members of the company.	The Board seeks to act fairly between all members of the Group by seeking to align the interests of the majority shareholders (TDR) and minority shareholders (Management). Management shareholders as a body are provided with access to legal representation. The Board is represented by all parties and the Board culture allows for healthy and constructive debates.
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Throughout 2024, the Board has fulfilled its Section 172 duties by ensuring long-term strategic decision-making, fostering stakeholder engagement, and maintaining the highest standards of corporate governance. The Board remains committed to acting in good faith and promoting the sustainable success of the Group.

Approved by the Board on 28 April 2025 and signed on its behalf by:



.....
PJ Burrows
Director

Deuce Midco Limited

Non-Financial and Sustainability Information Statement for the Year ended 31 December 2024

The UK Government's Climate-related Financial Disclosure (CFD) regulations introduced mandatory climate change reporting requirements, the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 (SI 2022/31). These regulations consist of eight disclosure requirements structured under the following four thematic pillars of Governance, Strategy, Risk Management and Metrics and Targets.

The Group meets the required thresholds for the year ended 31 December 2024 and fully acknowledges its role and responsibility in contributing to a sustainable environment. This disclosure sets out the UK Mandatory Disclosures for Deuce Midco Limited ("the Company") and encompasses all of its subsidiary undertakings (together "the Group").

Governance

The Board's principal responsibility is to promote the long-term success of the Group by creating shareholder value while contributing to a healthy society and a sustainable environment. The Board recognises that Environmental, Social, and Governance (ESG) issues are integral to the Group's values and strategy. As part of its oversight responsibilities, the Board monitors climate-related risks and opportunities and is responsible for the Group's ESG strategy, including its commitment to reducing environmental impact.

The Board delegates day-to-day management of the Company and its subsidiaries to the Executive Team, who are responsible for executing the Group's strategies and policies. In 2021, the Board established an ESG Committee to assess climate-related, social, and environmental risks and opportunities and to drive sustainability improvements across the Group.

ESG Committee

The ESG Committee provides a dedicated focus on the Group's ESG strategy, ensuring clarity in stakeholder expectations, fostering member and employee confidence, and reinforcing long-term shareholder and stakeholder value.

Purpose of the ESG Committee

The ESG Committee is responsible for:

- Reviewing and advising the Board on the effectiveness of the Group's ESG policies and strategies.
- Overseeing and reporting to the Board on the management's implementation of ESG policies.
- Ensuring transparency in ESG reporting to stakeholders.
- Identifying and assessing ESG risks, emerging trends, and regulatory requirements, and ensuring they are reflected in the Group's ESG policies.

Committee Structure and Reporting

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

All members of the ESG Committee are now required to undertake training on climate and sustainability issues. In 2023, the ESG Committee established the Climate Risk Working Group (CRWG) to formally identify, classify, and review climate risks and opportunities. The CRWG reports to the ESG Committee on a quarterly basis. In January 2024, the ESG Committee approved a Board-level ESG-related objective, ensuring that ESG performance is directly linked to Board remuneration.

Climate Risk Working Group (CRWG)

The Climate Risk Working Group (CRWG) is a senior management team who are responsible for:

- Identifying, assessing and monitoring climate-related risks and opportunities.
- Recommending key ESG metrics, aligning them with the risks and opportunities identified in the Group's strategy.

During the year, the CRWG developed the Climate-related Risk and Opportunity Register, which was approved by the ESG Committee in January 2024. Going forward, the climate-related risks and opportunities will be formally reviewed and approved annually to ensure continued alignment with strategic objectives and regulatory expectations.

Deuce Midco Limited

Non-Financial and Sustainability Information Statement for the Year ended 31 December 2024

Risk Management

The Task Force on Climate-related Financial Disclosures (TCFD) categorises climate-related risks into two major groups:

1. Transition Risks – Risks associated with the transition to a low-carbon economy due to evolving technology, markets, policies, regulations, and laws.
2. Physical Risks – Risks stemming from the physical impacts of climate change, which can be classified as acute (event-driven) or chronic (long-term shifts in climate patterns).

Transition Risks

Transition risks arise from the structural and regulatory changes required to achieve a low-carbon economy. These risks include:

- Regulatory and Policy Changes – Implementation of stricter climate-related regulations, carbon pricing mechanisms, and sustainability reporting requirements.
- Market and Technology Shifts – Increased demand for low-carbon solutions and the potential for stranded assets in carbon-intensive industries.
- Reputational Risks – Heightened stakeholder expectations and increased scrutiny of corporate sustainability performance.

As the Group navigates sustainability initiatives, these transition risks pose financial and operational challenges that require proactive mitigation strategies.

Physical Risks

Physical risks related to climate change are categorised into:

- **Acute** Physical Risks – Short-term, event-driven risks such as extreme weather events (e.g., cyclones, floods, hurricanes). These events can significantly impact business operations, physical assets, and supply chains.
- **Chronic** Physical Risks – Long-term climate shifts (e.g., rising temperatures, sea level rise, and prolonged heatwaves). These risks may lead to increased cooling costs, water scarcity, infrastructure vulnerabilities, and employee safety concerns.

In the prior year, the Group engaged Rio ESG Consulting, a third-party advisory firm, to assist in climate risk identification and assessment. This process involved a series of workshops with the Climate Risk Working Group (CRWG) and key stakeholders within the Group.

The risk identification methodology was aligned with the G20 Financial Stability Board's TCFD recommendations and the Cambridge University Climate Risk Framework. The Climate-Related Risks and Opportunity Register was developed at the Group level, with the ability to adapt at the subsidiary level, reflecting location-specific climate vulnerabilities.

The Climate-related Risks and Opportunity Register includes material transition and physical risks and opportunities and includes risk scoring based on their likelihood and financial impact, mitigation and resilience strategies, responsible risk owners, and estimation of potential financial losses. The ESG Committee reviews the register annually, ensuring continuous monitoring and adaptation to emerging climate risks.

As part of its annual review, the ESG Committee prioritises climate-related risks and opportunities based on their financial and operational impact. Key mitigation decisions are made to strengthen risk controls and resilience across the Group.

The Board conducts an annual assessment of principal risks and uncertainties as part of the Group's financial reporting process. Climate Change was identified as a principal risk in the 2023 Financial Statements and continues to be classified as a principal risk in the 2024 Financial Statements.

The Group remains committed to monitoring, mitigating, and adapting to climate-related risks through proactive risk management strategies and ongoing governance oversight.

Deuce Midco Limited

Non-Financial and Sustainability Information Statement for the Year ended 31 December 2024

Strategy

Sustainability is at the core of David Lloyd Clubs' operations, and our commitment to achieving Net Zero by 2030 is a key driver of our environmental strategy. In June 2024, our Net Zero target was formally approved and validated by the Science Based Targets initiative (SBTi), a globally recognised organisation ensuring that emissions reduction targets align with the latest climate science.

The Group has embedded climate considerations into its strategic planning process, ensuring that the potential impacts of climate change are factored into future business decisions. The Group has undertaken climate scenario modelling, utilising methodologies developed by the Network for Greening the Financial System (NGFS).

To evaluate the resilience of the Group's strategies to climate impacts, we adopted a three-time horizon approach:

- Short term (2030): Aligned with the Group's Net Zero target.
- Medium term (2040): Evaluating transition and physical risks over the next two decades.
- Long term (2050): Aligning with the UK Government's Net Zero target and considering macroeconomic and climate-related shifts.

The Group conducted a detailed climate risk assessment based on two primary climate scenarios:

Scenario 1: Orderly Transition (Below 2°C Warming). This scenario implies an accelerated transition to a low carbon economy. Risks arise if the Group fails to implement key capital investment projects. In this scenario, the Group fails to achieve a renewable energy transition and Net Zero targets by 2030, which will consequently lead to increased capital and operational costs, including carbon taxes, higher costs of capital due to non-compliance with sustainability-linked financing and reduced demand from environmentally conscious consumers.

Scenario 2: Hot House World. Current Policies (3°C). This assumes insufficient climate policy action, leading to severe climate impacts with acute and chronic physical risks materialising across key locations. This results in higher, insurance costs due to climate hazards, costs of buildings write-offs and increased capital investment in resilient infrastructure. Chronic risks bring a decrease in gross domestic product GDP impacting market demand and demographics.

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

The Group conducted a comprehensive physical climate risk assessment across its estate of clubs in nine countries, using postcode-level climate risk data. Each site was assigned a risk score, categorising them as follows:

- High Risk (40-60%)
- Severe Risk (60-80%)
- Extreme Risk (80-100%)

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

In addition to physical risks, the Group also assessed key transition risks, including increased pricing of greenhouse gas (GHG) emissions, stricter regulatory requirements for buildings, equipment, and operational practices, New compliance mandates related to energy efficiency and sustainability standards, and rising supply chain costs, including higher water tariffs and energy pricing.

Deuce Midco Limited

Non-Financial and Sustainability Information Statement for the Year ended 31 December 2024

Strategy (continued)

These risks will be continuously monitored, and mitigation strategies will be embedded into the Group's long-term strategic planning.

Transition Risks

TCFD Risk Category	Description of Identified Climate Risk	Potential Financial Impact	Time Horizon	Mitigation / Adaptation Measures
Policy and Legal	Increased pricing of greenhouse gas emissions (e.g. carbon taxes on gas use).	Rising operating costs from gas-based energy use. Financial exposure to evolving carbon pricing schemes.	Medium Term	Design new clubs with minimal gas usage. Retrofit existing clubs with heat decarbonisation technologies. Remove CHP systems and phase out fossil fuels. Expand on-site renewable energy generation (e.g., solar PV). Secure renewable electricity through Corporate PPAs.
Policy and Legal	Regulatory mandates on buildings and equipment (e.g. new energy efficiency standards).	Early retirement or impairment of non-compliant assets. Increased capital expenditure to meet compliance. Potential penalties for non-compliance.	Medium/ Long Term	Undertake regulatory gap assessments. Proactively plan CAPEX cycles to align with emerging efficiency and emissions standards. Engage with regulators to stay ahead of compliance timelines.
Market	Increased water costs due to water scarcity, higher tariffs, and environmental regulations.	Higher utility and compliance costs. Increased operational costs from water-intensive facilities (e.g., pools, showers, spas). Risk of reputational damage without sustainable water practices.	Long Term	Install low-flow fixtures and fittings. Use advanced pool filtration systems. Implement rainwater harvesting and greywater recycling where feasible. Monitor water usage trends and regional water pricing developments.

Deuce Midco Limited

Non-Financial and Sustainability Information Statement for the Year ended 31 December 2024

Strategy (continued)

Physical Risks

TCFD Risk Category	Description of Identified Climate Risk	Potential Financial Impact	Time Horizon	Mitigation / Adaptation Measures
Acute	Increased severity of extreme weather events such as floods, heatwaves, droughts, wildfires, and storms.	Loss of revenue from temporary club closures during adverse weather events. Increased insurance premiums. Cost of asset repairs or early retirement. Workforce disruptions. Higher operating and staff costs due to health/safety risks.	Long Term	Installation of cooling systems and improved ventilation in heat-prone areas. Water conservation measures in drought-affected regions. Flood protection infrastructure (e.g. sandbags, barriers). Use of early-warning systems and storm monitoring protocols. Backup power systems.
Chronic	Long-term shifts in precipitation patterns and increased climate variability.	Increased maintenance and upgrade costs for facilities not designed for new climate norms. Potential decline in asset value in certain geographies. Incremental operating costs linked to long-term environmental shifts.	Long Term	Design adaptation of new facilities for climate resilience. Landscaping and water management solutions. Ongoing climate scenario analysis to assess regional vulnerabilities.

The transition to a low-carbon economy and the Group's commitment to achieving Net Zero by 2030 present several strategic and financial opportunities, including:

1. Cost Savings Through Energy Efficiency and On-Site Generation

- Reduced energy costs by implementing energy-efficient technologies across all clubs.
- Lower dependency on external energy suppliers through the installation of on-site renewable generation, such as solar photovoltaic (PV) systems.
- Decreased exposure to energy market volatility by minimising reliance on fossil fuel-based energy sources.

2. Enhanced Brand Perception and Increased Demand

- Achieving Net Zero by 2030 will elevate the Group's brand reputation, reinforcing its position as a sustainability leader in the health and fitness industry.
- Increased demand from environmentally conscious consumers, leading to higher membership retention rates and new customer acquisition due to sustainability-driven brand differentiation.
- Enhanced investor confidence and access to green financing options.

Deuce Midco Limited

Non-Financial and Sustainability Information Statement for the Year ended 31 December 2024

Strategy (continued)

By leveraging these opportunities, the Group aims to strengthen its market position, improve operational efficiency, and maximise financial benefits while contributing to a sustainable future.

TCFD – Climate-Related Opportunities and Strategic Responses

TCFD Opportunity Category	Identified Climate Opportunity	Potential Financial Impact	Time Horizon	Strategic Actions / Realised Benefits
Resource Efficiency	Improvements in energy, water, and waste efficiency across operations.	Reduced operating costs through improved resource use. Lower exposure to rising utility tariffs. Improved margins and resilience.	Short to Medium Term	Rollout of LED lighting, building energy management systems (BEMS), and low-flow fixtures. Optimised scheduling of HVAC systems. Reduction of water usage in clubs via advanced filtration, rainwater harvesting, and smart metering.
Energy Source	Increased access to and investment in low-emission or renewable energy sources (e.g., solar PV, renewable PPAs).	Reduced long-term energy costs. Reduced carbon tax liabilities. Enhanced energy security and hedging against fossil fuel price volatility.	Short to Medium Term	Installation of solar PV at suitable clubs and facilities. Pursuit of Corporate Power Purchase Agreements (PPAs) for 100% renewable electricity supply. Phased removal of Combined Heat and Power (CHP) systems reliant on gas. Planned use of heat pump technology
Products & Services	Evolving customer demand for more sustainable, climate-conscious wellness and fitness offerings.	Increased brand value and customer loyalty. Competitive advantage in sustainability-driven markets.	Medium to Long Term	Offering low-carbon wellness experiences (e.g., eco-friendly facilities, sustainable products, etc.). Green building certifications for new clubs (e.g., BREEAM/LEED). Incorporating sustainability education in member communications.
Resilience	Strengthening physical and operational resilience to climate change.	Reduced risk of business interruption. Greater investor and stakeholder confidence. Enhanced long-term asset value.	Long Term	Climate risk assessments integrated into site selection and development processes. Implementation of flood defences, storm protocols, and emergency preparedness. Investment in infrastructure resilience and flexible working arrangements to support business continuity.

Deuce Midco Limited

Non-Financial and Sustainability Information Statement for the Year ended 31 December 2024

Strategy (continued)

Business Model Resilience and Strategic Adaptation

The Group has assessed the resilience of its business model and strategy under various climate scenarios, including a Hot House World scenario (3°C warming), in line with TCFD guidance. While physical climate risks such as extreme heat, flooding, and water scarcity pose challenges, the Group has identified material opportunities for operational efficiency, innovation, and enhanced sustainability.

The Group is committed to an absolute reduction in Scope 1, 2, and 3 emissions, targeting Net Zero by 2030, in alignment with the Science Based Targets initiative (SBTi). This target is notably 20 years ahead of the UK Government's national Net Zero commitment, reflecting the Group's leadership on climate action.

To support this transition, the Group is making strategic capital investments in low-carbon technologies, including:

- Heat pump installations to decarbonise heating across the estate.
- Solar photovoltaic (PV) systems to increase on-site renewable energy generation and reduce reliance on grid electricity.

These initiatives are expected to deliver long-term benefits, including:

- Significant reductions in operational carbon emissions.
- Lower exposure to energy market volatility and rising carbon costs.
- Improved resilience and business continuity.
- Enhanced appeal to environmentally conscious members and investors.

The Group's diversified and predominantly leased club estate offers additional flexibility and agility. Over the short-term horizon to 2030, climate-related impacts are expected to affect a limited number of clubs, rather than the estate as a whole. The leasing model allows for relocation or adaptation of operations in regions that become increasingly exposed to physical risks.

Following this assessment, the Directors have concluded that the Group's business model and strategy are resilient in the face of projected climate-related risks. Furthermore, the climate transition presents opportunities for innovation, operational excellence, and competitive differentiation within the fitness and wellness sector.

Metrics and Targets

The Group recognises its responsibility to contribute to a sustainable, low-carbon economy and has established clear, science-based targets to reduce its environmental impact. The Group is committed to achieving absolute reductions in Scope 1, Scope 2, and Scope 3 greenhouse gas (GHG) emissions, in alignment with the Greenhouse Gas Protocol and the Science Based Targets initiative (SBTi).

Climate-related metrics and targets are fully integrated into the Group's strategic and financial planning frameworks, serving as key performance indicators to evaluate both exposure to climate-related risks and the realisation of climate-related opportunities. These metrics also inform climate scenario analysis, support assessments of business model resilience, and guide ongoing investment decisions.

The Group tracks a robust set of climate-related Key Performance Indicators (KPIs) to monitor progress against its 2030 Net Zero target, which includes a 90% absolute emissions reduction and a maximum of 10% offsetting. These KPIs measure both operational emissions and efficiency improvements across the estate, while also tracking capital allocation and progress against decarbonisation milestones.

Performance against these targets is overseen by the Head of Sustainability, with governance provided by the ESG Committee and the Board. Climate-related performance informs capital deployment, operational planning, and executive remuneration, ensuring sustainability is embedded across the organisation's long-term strategy.

Deuce Midco Limited

Non-Financial and Sustainability Information Statement for the Year ended 31 December 2024

Metrics and Targets (continued)

Climate Target Description	KPIs to track progress	Progress	Link to CFD Risk/ Opportunity
Absolute reduction of Scope 1, 2, and 3 emissions in line with SBTi Net Zero by 2030 (90% reduction; max 10% offset)	Direct (Scope 1) GHG emissions Energy indirect (Scope 2) GHG emissions Other indirect (Scope 3) GHG emissions	Since 2019, the Group has achieved a reduction of approximately 30,000 tonnes of CO₂e, reflecting a strong and sustained commitment to environmental sustainability. This reduction has been driven by the transition to 100% renewable electricity contracts and the investment of over £20 million in energy efficiency measures, including upgrades to tennis court lighting and enhancements to Building Management Systems. While emissions increased by approximately 19,000 tonnes over the same period due to business growth and premiumisation, the Group delivered a net reduction of 11,000 tonnes of CO₂e.	Increased pricing of GHG emissions Energy efficiency opportunity
90% reduction in Scope 1 and 2 emissions per member visit by 2030	Emissions intensity ratio (kg CO ₂ per check-in)	In 2024, the Group recorded a slight increase in total greenhouse gas (GHG) emissions compared to 2023. This increase is due to the expansion of UK operations, with operating clubs rising to 104. The increase in emissions reflects the proportional growth in the Group's operational footprint, rather than a deterioration in carbon efficiency or performance. Emissions intensity metrics continued to demonstrate improved efficiency on a per-member or per-visit basis.	Increased pricing of GHG emissions Energy efficiency opportunity

Deuce Midco Limited

Non-Financial and Sustainability Information Statement for the Year ended 31 December 2024

Capital deployment to support climate-related risk mitigation and decarbonisation	Amount of climate-related capex Number of clubs with solar PV Estimated CO₂ savings per project	In 2024, the Group completed Phase 1 of its solar PV rollout, installing systems at 40 clubs across the UK and EU. Phase 2, starting mid-2025, will expand this to a further 40–50 clubs. Backed by a £30 million capital commitment, the project is expected to generate over 20% of the Group's annual electricity and reduce emissions by 7,000 tCO₂e per year – approximately 9% of current Scope 1 and 2 emissions. The Group also launched its first air-source heat pump projects in 2024, with systems installed at Harrogate and Swindon. An additional five installations are planned by the end of 2025. Full estate rollout could eliminate over 30,000 tCO₂e annually, reducing Scope 1 and 2 emissions by up to 40%.	Increased pricing of GHG emissions Reaching Net Zero enhances brand and investor reputation
Linking executive remuneration to climate and ESG objectives	% of Board members with climate-related KPIs linked to variable pay	As of January 2024, the ESG Committee agreed all Board members will have ESG-linked objectives as part of their remuneration framework.	Growing market expectation to align remuneration with ESG performance

The Group is committed to continuously evolving its climate-related metrics and targets to reflect the latest sustainability developments and cross-industry benchmarks.

Deuce Midco Limited

Directors' Report for the Year ended 31 December 2024

The directors present their report and the audited financial statements for the year ended 31 December 2024.

Principal activity

The principal activity of the Company is to act as a holding company for David Lloyd Leisure Limited ("DLL") and its subsidiaries (together, "the Group"). The Group, trading primarily as David Lloyd Clubs (DLC), is Europe's leading premium health and wellness operator, with a mission to help members live life better through a focus on physical wellbeing, mental health, and community. As of 2024, the Group operates 134 clubs: 105 in the UK and 29 across mainland Europe, under the David Lloyd Clubs, Harbour Clubs, and David Lloyd Meridian Spa & Fitness brands. With over 40 years of experience, the Group is committed to supporting families and individuals in leading healthier, more active lifestyles.

Branches outside the UK

The Group operates one branch in Milan, Italy.

Ownership

The ultimate parent company is Deuce Holding S.à r.l., with the ultimate controlling party being a group of investment funds managed by TDR Capital LLP, a UK-registered private equity firm. 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 investment firm with over €15 billion in assets under management, focused on partnering with strong, market-leading European businesses with long-term growth potential and resilience. TDR was founded in 2002 by Stephen Robertson and Manjit Dale, and acquired the Group in 2013 for £750 million from London & Regional and Caird Capital LLP. London & Regional had previously acquired the Group from Whitbread in 2007 for £925 million.

Since TDR's acquisition, the Group has undergone a significant capital investment programme, enhancing facilities and member experience across the estate. TDR has worked closely with management to reinforce the Group's position as a market leader in premium family health and wellness.

Under TDR's ownership, the Group has re-launched its UK new site development programme and expanded its Continental European footprint through acquisitions and new openings. As at 31 December 2024, the Group operates 134 clubs, up from 90 at the time of acquisition. In 2024, two additional clubs were opened or acquired: Bury St Edmunds and Shrewsbury. During the period, we made the strategic decision to close our club in Kiel.

Strong, Tenured Management Team

The Group is led by a seasoned leadership team with extensive industry expertise, supported by a deep pool of operational talent. This is further enhanced by the strategic use of data science, analytics, and digital technologies, enabling agile decision-making, member-focused innovation, and scalable growth.

Directors of the Group

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

MA Stephens

BJ Magnus

DG Earlam

PJ Burrows

SA Lloyd

MJ Evans (resigned 30 November 2024)

R Barnes

Mark Stephens (TDR Representative)

Mark joined TDR Capital in September 2012. Prior to this, he worked at Morgan Stanley in London, where he was an Associate in its Private Equity Fund, having previously served as an Analyst in the UK Investment Banking team. He holds a First-Class Honours degree in Business and Legal Studies from University College Dublin.

Deuce Midco Limited

Directors' Report for the Year ended 31 December 2024

Directors of the Group (continued)

Brian Magnus (TDR Representative)

Brian joined TDR Capital in September 2012. Prior to this, he was a Managing Director at Morgan Stanley, where he served as European Head of Morgan Stanley Private Equity and previously as Head of UK Investment Banking. He joined Morgan Stanley in 2000, following roles in the Corporate Finance Division of Schroders, later acquired by Citigroup. Brian holds a Bachelor's degree in Management Sciences from the University of Manchester and is a Chartered Accountant, having qualified with Price Waterhouse. His external appointments include directorships at Stonegate Pubs, Montagu, and Carpenter Holdco.

Scott Lloyd – Non-Executive Director

Scott serves as a Non-Executive Director of the Group, having previously held the role of Chief Executive Officer (CEO) until June 2015. He led the business from 2007 through to its sale to TDR Capital in November 2013, playing a key role in its strategic growth and development. His external appointments include a directorship at the Lawn Tennis Association.

Glenn Earlam - Chairman

Glenn is the Executive Chairman of the Group, having joined as Chief Executive Officer (CEO) in June 2015. Prior to joining the Group, he was Managing Director of Midway Attractions at Merlin Entertainments Plc, the largest operating division within the business. His external appointments include directorships at Luigi Topco Limited, G E & P A Developments Limited, Blackwell Avenue Developments Limited, Blackwell Avenue Properties Limited, Earlam Investment Company Limited, and HBL (Holdings) Limited.

Russell Barnes - Chief Executive Officer

Russell has served as Chief Executive Officer of the Group since April 2021, having originally joined in September 2015. Prior to joining the Group, he held senior roles at Merlin Entertainments Plc, where he was responsible for 48 attractions across Europe, as well as leading international expansion into Asia and North America, including launches in China, Japan, Korea, and the U.S. He also led the Alton Towers Resort through a successful period of brand repositioning. With over 25 years of operational leadership experience, including time spent living in the United States, Russell brings deep global expertise in large-scale, consumer-facing businesses.

Patrick Burrows - Chief Financial Officer

Patrick joined the Group as Chief Financial Officer in September 2017, following his role at London City Airport, where he was involved in the £2.4 billion sale of the business. He previously held senior finance roles, including Finance Director positions at New Look and Tesco, bringing extensive experience in retail and consumer sectors to the Group.

Executive Team (excluding Directors)

Simon Raggett – Chief Operating Officer

Simon joined the Group as Chief Operating Officer in September 2023, bringing with him nearly 10 years of operational leadership experience at Sky UK, where he held senior roles across Retail, Home Services, Contact Centres, and Customer Service. His tenure included a period in Sky Germany and leading B2B TV in the UK through the Covid-19 pandemic. Prior to Sky, Simon held operational roles across the retail, hospitality, and telecoms sectors, including positions at Exxon Mobil, Yum! Restaurants, O2, and Starbucks, contributing to his broad cross-industry expertise.

Stuart Caswell – New Clubs Acquisitions Director

Stuart joined the Group in April 2021 from Aldi, where he led property expansion and format development in London, including the launch of the successful Aldi Local concept. He previously held senior Property and Strategy roles at both Sainsbury's and Tesco, with experience across the UK and Ireland, bringing strong expertise in retail development and strategic site growth.

Deuce Midco Limited

Directors' Report for the Year ended 31 December 2024

Executive Team (excluding Directors) (continued)

Bruce Gardner - New Clubs Director

Bruce joined the Group in 2011 and currently serves as New Clubs Director, overseeing the development and rollout of new club locations. He previously held the role of Group IT Director at David Lloyd Leisure. Prior to joining the Group, Bruce served as IT Director at NSL Services (part of NCP) and held the same role within Whitbread's pub division, bringing a blend of operational and technology leadership to his current position.

Juliett Cattermole - Group People Director

Juliett joined David Lloyd Leisure in November 2022, bringing extensive experience from senior roles at Papa John's International, Mitchells & Butlers, and British Airways. She has deep expertise in ESG, Diversity, Equity & Inclusion (DE&I), and employee well-being, having led transformational people strategies across major consumer brands.

Mia Manson-Bishop – Club Experience and Membership Director

Mia joined David Lloyd Leisure in 2013 and became part of the Executive Team in September 2015 as Member Experience Director. She brings extensive operational knowledge of the business, alongside over 15 years of senior leadership experience in customer service, marketing, and operations with both national and global brands, including Wyndham Worldwide, Esporta, and Sitel.

Andrea Dearden - Marketing Director

Andrea joined David Lloyd Leisure in 2017, bringing over 25 years of experience in the leisure industry. Prior to this, she held senior marketing roles at Merlin Entertainments Plc, where she was responsible for the London and European attractions portfolio. Andrea brings deep expertise in brand strategy, customer engagement, and multi-channel marketing across high-profile consumer destinations.

Nick Marsh – Operational Finance Director

Nick joined David Lloyd Leisure as Operational Finance Director in September 2016. He previously held a senior finance role at Merlin Entertainments Plc, overseeing the financial performance of over 100 attractions globally, including a significant period based in the United States. Nick also played a key role in Merlin's IPO. Prior to Merlin, he worked in private practice, bringing a strong foundation in finance and strategic planning.

Yossef La-Cherie – Strategy Director/Investor Relations

Yossef joined David Lloyd Leisure in 1999 and has held various senior roles across the organisation. With approximately 20 years of leadership experience primarily within the Finance function, he now oversees Strategy and Investor Relations, bringing deep institutional knowledge and financial expertise to the Group's long-term planning and stakeholder engagement.

James Willis – Group Operations Director

James has over 10 years' experience with David Lloyd Leisure, having held a range of senior roles in sales and operations. He was appointed Group Operations Director in 2025. Prior to joining the Group, James held roles in operations at Lidl and in finance at Citi and Danone, bringing a strong commercial and operational background to his leadership of club operations.

Directors' liabilities

The Company maintains Directors' and Officers' (D&O) liability insurance to provide financial protection for its directors and officers in connection with their duties and responsibilities, to the extent permitted by law.

Future developments

There are no significant changes planned to the existing estate or operations of the Group. The Group remains focused on delivering its clear growth strategy, centred on innovation, premiumisation, geographic expansion, and a strong commitment to ESG priorities.

A strong pipeline of new club openings across the UK and Europe supports future growth, while 13 premiumisation projects have already been identified for 2025, including 8 new spa retreats. In addition, four projects initiated in FY 2024 are scheduled for completion in Q1 2025.

Deuce Midco Limited

Directors' Report for the Year ended 31 December 2024

Employees

Matters relating to employee consultation and the Group's approach to disabled employees are addressed in the Strategic Report on pages 11 to 13 of these financial statements. In accordance with reporting requirements, the Strategic Report is incorporated into this Directors' Report by cross-reference.

Financial instruments

Information regarding the Group's financial risk management objectives and policies, including those relating to credit risk, liquidity risk, and foreign currency risk, is provided in Note 26 to the financial statements.

Going concern

The Group and Company's assessment of the going concern basis is set out in detail in Note 2 on pages 68 to 69 of the financial statements.

In preparing the Group's financial statements, the directors have considered the forecast cash flows and available liquidity for the period from May 2025 to October 2026. These forecasts indicate that the Group will maintain a satisfactory level of headroom and have sufficient cash resources to meet its obligations.

Based on this assessment, the directors have a reasonable expectation that the Group and Company have adequate resources to continue operating for at least 12 months from the date of approval of the financial statements, and for the foreseeable future thereafter. As such, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

Post balance sheet events

Details of post balance sheet events are provided in Note 32 to these financial statements.

Supplier payment policy

The Group complies with regulations made under Section 3 of the Small Business, Enterprise and Employment Act 2015, which can be accessed at www.legislation.gov.uk. The Group typically pays suppliers within 30 to 45 days, with weekly payment runs made each Friday to clear all undisputed invoices due for payment, based on terms recorded in the supplier master file. For the reporting periods:

- 1 January 2024 to 30 June 2024, the average time taken to pay invoices was 30 days (2023: 31 days);
- 1 July 2024 to 31 December 2024, the average was 28 days (2023: 29 days).

Guidelines for Disclosure and Transparency in Private Equity

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

Statement on engagement with employees

As a UK company incorporated under the Companies Act 2006, and with a monthly average of more than 250 UK-based employees, the Company is required to disclose:

- 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 on principal decisions taken during the financial year.

This information is provided in the Section 172(1) Statement (see Section (b) on pages 27 to 28 of the Strategic Report). Further details on Board engagement with employees are also included on pages 11 to 13 of the Strategic Report, which is incorporated into this report by cross-reference.

Statement on engagement with suppliers, customers and others in a business relationship with the Group

As a qualifying large company under the Companies Act 2006, the Group is required to summarise how the directors have had regard to the need to foster business relationships with suppliers, customers, and other stakeholders, and the effect of that regard on the principal decisions taken during the financial year.

This disclosure is set out in the Group's Section 172(1) Statement, specifically in Section (c) on pages 28 to 29 of the Strategic Report, which is incorporated into this report by cross-reference.

Deuce Midco Limited

Directors' Report for the Year ended 31 December 2024

Statement of corporate governance arrangements

For the year ended 31 December 2024, the Group has voluntarily adopted the Wates Corporate Governance Principles for Large Private Companies, published by the Financial Reporting Council (FRC) in December 2018.

The Wates Principles provide a valuable framework through which the Board monitors and evaluates the Group's corporate governance arrangements, supporting continuous improvement and identifying opportunities to raise governance standards across the business.

Wates Principle 1 Purpose and leadership

The Board is responsible for setting the long-term strategy, direction, and performance of the Group and its subsidiaries. Our purpose is clear: to help our members live life better, with a focus on physical and mental wellbeing, and a deep sense of belonging. This ethos is central to our member offering and is reflected in our wide range of premium facilities, including state-of-the-art gyms, indoor and outdoor pools, racquets courts, group exercise studios, and luxurious spas.

Our vision, "My Club for My Life," guides our strategy and culture – positioning our clubs as welcoming, inclusive spaces for me-time, together-time, work, rest, and play. Whether for fitness, social connection, or relaxation, we aim to be a home away from home that enhances our members' lives at every stage.

The Board actively monitors and nurtures the Group's culture through a combination of member experience metrics, club usage data, and employee engagement insights.

- Member experience scores are reported monthly to the Board and guide continuous improvement.
- Employee engagement is measured twice yearly through surveys, with results shared at Board level to ensure responsiveness to team needs.
- Ongoing investment in team members supports service excellence and alignment with our values.

Our core values, associated strategies, and related performance measures are detailed in the Strategic Report (pages 3 to 5). These are communicated through regular business briefings, updates via our employee app 'DL Connect', and direct communications from the CEO, reinforcing alignment across the organisation.

Wates Principle 2 Board composition

The Board of Deuce Midco Limited comprises five executive directors and one independent non-executive director⁴. Biographies of all Board members are provided on pages 41 to 43 of this report.

Board appointments are made on merit, with careful consideration of the skills, background, experience, and knowledge required to ensure effective decision-making and constructive challenge. The non-executive director brings valuable external perspectives and oversight, enhancing the Board's ability to fulfil its duties. The size and composition of the Board are considered appropriate for the nature and scale of the business.

Day-to-day management of the Company and its subsidiaries is delegated to the Executive Committee, in line with standard governance practice for large private companies. The Executive Committee includes the Executive Chairman, Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, and other senior functional leaders. Executive Committee biographies are also included on pages 41 to 43.

The Board has established two sub-committees:

- An Audit Committee, responsible for overseeing the appointment of external auditors and reviewing audit scope and findings.
- An ESG Committee, formed to assess climate-related, social, and environmental risks and opportunities, and support the Group's sustainability objectives.

⁴ The Group is not required to apply the UK Corporate Governance Code. Under the Code, Scott Lloyd would not be considered independent.

Deuce Midco Limited

Directors' Report for the Year ended 31 December 2024

Statement of corporate governance arrangements (continued)

Wates Principle 2 Board composition (continued)

The Board is committed to improving diversity and inclusion at all levels. As of year-end 2024, the Board and Executive Committee were composed of 80% men (2023: 81%) and 20% women (2023: 19%). Recognising that current Board diversity does not yet reflect the wider business, the Group launched a new Diversity, Equity & Inclusion (DE&I) Strategy in September 2023, reaffirming our commitment to building an inclusive, equitable culture where everyone feels they belong and can thrive.

Both the Board and Executive Committee meet monthly, with formal agendas, recorded minutes, and action tracking. Directors and Executive Committee members regularly visit clubs and engage with senior management to remain closely connected to the business.

Wates Principle 3 Directors' responsibilities

The Board meets eleven times a year and receives regular and timely information – at least monthly – on all key aspects of the business. This includes updates on financial performance, health and safety, progress against strategic objectives and KPIs, as well as capital investment appraisals and potential acquisitions.

Financial data is collated from the Group's accounting systems, with oversight provided by a highly qualified finance function. The team receives ongoing training to remain current with accounting standards and regulatory changes. The Group's statutory financial statements are audited annually by Deloitte LLP, ensuring external validation of financial integrity.

The Group has established clear policies and delegated authorities, supporting effective governance, accountability, and decision-making across the business. The Board delegates day-to-day operational management to the Executive Committee while retaining oversight of key strategic and financial decisions.

The independent non-executive director maintains no material business relationship with the Group, other than shareholdings in Deuce Holdco Limited (a parent company), and is able to provide objective oversight and independent challenge. All directors are required to declare any conflicts of interest in advance of relevant discussions, ensuring transparency and good governance practices.

Wates Principle 4 Opportunity and risk

The Board actively seeks to identify and pursue strategic growth opportunities while ensuring that risks are appropriately identified, assessed, and mitigated. The Group's principal risks and mitigations are detailed in the Principal Risks and Uncertainties section of the Strategic Report on pages 17 to 20.

Responsibility for day-to-day risk management is delegated to the Executive Committee, which monitors emerging risks and operational challenges across the business. Significant decisions, including capital investment projects and acquisitions, are escalated to the Board for review and approval before any commitments are made. In 2024, the Board approved the acquisition of The Shrewsbury Club, a sale and leaseback of the Bury St Edmunds club, and the purchase of land in Herne Bay for future development. The Board also approved conditional land deals subject to planning permission.

The Group has implemented an internal control framework designed to manage both operational and strategic risks. All clubs must comply with a formal compliance framework and adhere to the Finance Policy and Procedures Manual. Regular health & safety and profit protection audits are conducted to monitor performance and ensure control effectiveness at the club level.

The Board recognises that Environmental, Social and Governance (ESG) considerations are fundamental to the Group's long-term success. The Board retains responsibility for overseeing climate-related risks and opportunities and has embedded sustainability into the Group's strategic planning. In support of this, the Board has established an ESG Committee to provide focused oversight of environmental, social, and sustainability-related matters.

Deuce Midco Limited

Directors' Report for the Year ended 31 December 2024

Statement of corporate governance arrangements (continued)

Wates Principle 5 Remuneration

The Group's approach to remuneration is designed to attract, retain, and motivate high-performing individuals, aligned with the Group's long-term strategic goals. Director remuneration is reviewed and set by the shareholder directors, while senior management remuneration is determined by the Board based on external market benchmarking to ensure competitiveness and fairness.

Executive remuneration incorporates a mix of fixed pay and variable elements, with performance-related bonuses linked to financial performance, operational KPIs, and strategic achievements, including progress against ESG targets. In 2024, the Board agreed to align executive remuneration with ESG-related objectives, reinforcing the Group's commitment to sustainable value creation.

To align interests across the business, directors, senior leadership, and operational management participate in an equity-based incentive plan that is directly linked to shareholder value creation. Further details of the scheme are provided in Note 27: "Share-based Payments" on pages 110 to 111 of these financial statements.

In line with the Group's commitment to transparency and equality, the Group publishes its Gender Pay Report, with the 2024 disclosure available on page 13 of the Strategic Report. The Executive Committee remains focused on closing the gender pay gap by increasing the representation of women in leadership roles across the business.

Remuneration for the independent non-executive director is set at a level that reflects their responsibilities and the time commitment required, while maintaining independence.

Director remuneration is reviewed and set by the shareholder directors, while senior management remuneration is set by the Executive Committee.

Wates Principle 6 Stakeholder relationships and engagement

The Board's primary responsibility is to promote the long-term success of the Group by creating sustainable shareholder value while contributing to a healthy society and a sustainable environment. A core principle guiding the Board's decisions is that doing the right thing by our members, our team, and the communities we serve is fundamental to the Group's success as a responsible and resilient business.

The Board recognises the importance of building constructive relationships with stakeholders, including members, employees, suppliers, landlords, and regulators, to support long-term value creation.

Stakeholder engagement is embedded across the business, supported by regular communication, feedback mechanisms, and consultation processes. The Group uses a combination of surveys, listening groups, app engagement, and club-level feedback to understand the views of members and employees.

Employee engagement is measured biannually via a company-wide survey, with results reviewed by the Board and actioned through departmental plans. Member satisfaction is monitored monthly through member experience and net promoter scores (NPS) and usage data, while suppliers and partners are engaged through regular commercial reviews and long-term relationship management.

The Board also recognises bondholders as key stakeholders. The Group has established a dedicated Investor Relations function to manage these relationships and provides quarterly financial updates to the bondholder community to ensure transparency and engagement.

Further detail on how the Board engages with employees, members, suppliers, and other stakeholders is provided in the Section 172(1) Statement on pages 26 to 31 of the Strategic Report, which outlines how stakeholder views are considered in strategic decision-making and how these relationships align with the Group's long-term purpose.

Deuce Midco Limited

Directors' Report for the Year ended 31 December 2024

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 2024 to 31 December 2024			
		UK and offshore	
Energy Use	Units	2024	2023
Gas consumption	MWh	382,666	377,149
Purchased electricity consumption	MWh	68,536	64,170
Greenhouse Gas (GHG) Emissions			
Total gas	t/CO ₂ e	69,990	68,991
Total fuel (gas oil)	t/CO ₂ e	356	601
Total transport	t/CO ₂ e	36	26
Total fugitive	t/CO ₂ e	1,142	1,458
Total biomass	t/CO ₂ e	3	-
Total purchased electricity	t/CO ₂ e	14,190	13,288
Greenhouse Gas (GHG) Emissions			
Direct emissions (Scope 1)	000t/CO ₂ e	71,527	71,077
Indirect emissions from electricity (Scope 2)	000t/CO ₂ e	14,190	13,288
Total CO ₂ emissions (location based)	t/CO ₂ e	85,717	84,365
Total CO ₂ emissions (market based)	t/CO ₂ e	71,527	71,077
Total Greenhouse Gas (GHG) Emissions	Units	2024	2023
Direct emissions (Scope 1)	000t/CO ₂ e	72	71
Indirect emissions from electricity (Scope 2)	000t/CO ₂ e	14	13
Total CO ₂ emissions (location based)	000t/CO ₂ e	86	84
Procured renewable energy	000t/CO ₂ e	14	13
Total CO ₂ emissions (market-based approach)	000t/CO ₂ e	72	71
Intensity ratio	Units	2024	2023
Total emissions per visit	kg/CO ₂ e	1.63	1.61

Deuce Midco Limited

Directors' Report for the Year ended 31 December 2024

Methodology

This report covers all UK operations and the methodologies used are in accordance with the WBCSD/WRI GHG Protocol Corporate Accounting and Reporting Standard (Revised Edition), and conversions into CO₂e have been calculated using the most recent government conversion factors

<https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2024>

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

2024 vs 2023 Review

The Group calculates its greenhouse gas (GHG) emissions based on operationally controlled activities, in accordance with the UK Government's 2024 GHG Conversion Factors. This approach ensures consistency, accuracy, and alignment with recognised reporting standards under the Greenhouse Gas Protocol.

In 2024, the Group recorded a slight increase in total greenhouse gas (GHG) emissions compared to 2023, driven by the continued expansion of UK operations, with the number of operational clubs increasing to 105. Importantly, this increase reflects growth in our operational footprint rather than a reduction in carbon efficiency. As the business scales, we remain focused on embedding low-carbon technologies and efficiency measures to ensure sustainable growth over the long term.

The Group uses an emissions intensity ratio to evaluate carbon efficiency over time. This ratio is calculated by dividing the total carbon emissions (Scopes 1 and 2) by the number of member visits (check-ins) across the estate. This metric provides a normalised view of emissions performance, enabling meaningful comparisons year-on-year and helping assess the carbon efficiency of operations as the business scales.

Energy efficiency action

As part of the Group's commitment to achieving Carbon Net Zero across Scope 1, 2, and 3 emissions by 2030, a dedicated £30 million capital investment was approved in 2024 to support the rollout of solar photovoltaic (PV) rooftop systems across the Group's UK and EU estate over a two-year programme.

In 2024, the Group successfully completed 37 solar PV installations across UK clubs, significantly expanding on-site renewable energy generation capacity. Phase 2 of the programme, scheduled for 2025, will see a further 40 solar PV systems installed across the UK portfolio.

In addition to renewable energy investment, the Group allocated a further £2 million in 2024 to support energy efficiency upgrades, with a focus on Building Management System (BMS) enhancements aimed at reducing energy consumption and optimising asset performance. These upgrades are expected to deliver measurable carbon and cost savings across the estate.

To support the transition away from fossil fuel heating, the Group also launched a heat pump pilot project at three clubs in 2024. This initiative represents an important step in phasing out gas use and will provide valuable data to inform the Group's broader estate-wide heat decarbonisation strategy, which is targeted for full implementation by 2030.

In recognition of its climate leadership, the Group's Net Zero 2030 targets were formally validated and approved by the Science Based Targets initiative (SBTi) in June 2024.

Cultural engagement remains a cornerstone of the Group's sustainability journey. The Green Champions network continues to play a vital role in promoting sustainability at a grassroots level, encouraging responsible resource use, leading by example, and supporting colleagues in delivering environmental initiatives across all locations.

Deuce Midco Limited

Directors' Report for the Year ended 31 December 2024

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The directors have also chosen to prepare the parent company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

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

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

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

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

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

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

Disclosure of information to the auditor

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

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

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

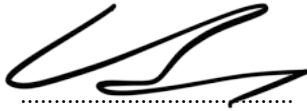
Deuce Midco Limited

Directors' Report for the Year ended 31 December 2024

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 28 April 2025 and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'PJ Burrows', written over a dotted line.

PJ Burrows
Director

Deuce Midco Limited

Independent Auditor's Report for the year ended 31 December 2024

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

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Deuce Midco Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2024 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

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

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

Basis for opinion

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

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Deuce Midco Limited

Independent Auditor's Report for the year ended 31 December 2024

Other information

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

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

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and relevant tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included General Data Protection Regulation (GDPR) and relevant Health and Safety legislation.

Deuce Midco Limited

Independent Auditor's Report for the year ended 31 December 2024

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

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

Impairment of Property, Plant & Equipment ("PPE"), Right of Use ("ROU") assets and goodwill (including reversal of impairment of PPE and ROU assets)

The procedures performed to address the risk included the following:

- Engaged our internal specialists to review and determine the appropriateness of the discount rate and long term growth rate;
- Understanding the growth assumptions used to determine the short-term cash flow forecasts in the Value in Use ("VIU") model, including testing the supporting evidence and understanding any contradictory evidence and its potential impact on the growth assumptions;
- Performed a review of management's historical forecast accuracy of the supporting schedules, including looking at forecast vs. actual results for FY24 and quantifying the impact of this on the future forecasts;
- Performed sensitivity analysis on the key inputs into the VIU model to determine if this would materially change any impairment charge currently recognised, including sensitivities on Adjusted EBITDA (pre-IFRS 16), long term growth rate and discount rate;
- Used our data modelling team to review the mechanics of the value in use model;
- Assessed the disclosures made in the financial statements meets the requirements of IAS 1 and IAS 36. This includes reviewing the key judgements, assessment of any contradictory evidence and the sensitivity analysis disclosed in respect of each of those key judgements and what change is required to result in a material movement to the impairment charge recognised, and for the key source of estimation uncertainty disclosure, ensuring that change is reasonably possible within the next 12 months.

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

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Deuce Midco Limited

Independent Auditor's Report for the year ended 31 December 2024

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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

Kate Darlison

Kate Darlison, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London
United Kingdom
28 April 2025

Deuce Midco Limited

Consolidated Income Statement for the Year ended 31 December 2024

	Note	31 December 2024 £ 000	31 December 2023 £ 000
Revenue	4	860,773	756,321
Cost of sales		(208,494)	(187,807)
Gross profit		652,279	568,514
Other income	5	3,572	3,662
Administrative expenses		(73,935)	(76,927)
Other operating expenses		(376,624)	(346,269)
Impairment losses on financial assets	22	(15,686)	(14,645)
Profit/(loss) on disposal	7	3,759	(608)
Operating profit	8	193,365	133,727
Finance income		13,374	7,162
Finance costs		(140,177)	(135,587)
Net finance costs	13	(126,803)	(128,425)
Profit before taxation		66,562	5,302
Income tax (charge)/credit	14	(13,592)	18,883
Profit for the financial year		52,970	24,185

The above results were derived from continuing operations.

The notes on pages 67 to 115 form an integral part of these financial statements.

Deuce Midco Limited

Consolidated Statement of Comprehensive Income for the Year ended 31 December 2024

	31 December 2024 £ 000	31 December 2023 £ 000
Profit for the financial year	52,970	24,185
Items that may be reclassified subsequently to profit and loss		
Exchange differences arising on the translation of foreign operations	(8,070)	(2,046)
Total comprehensive income for the financial year	44,900	22,139

The notes on pages 67 to 115 form an integral part of these financial statements.

Deuce Midco Limited

(Registration number: 11385914)

Consolidated Statement of Financial Position as at 31 December 2024

	Note	31 December 2024 £ 000	31 December 2023 £ 000
Assets			
Non-current assets			
Property, plant and equipment	16	569,163	480,588
Right-of-use assets	17	1,142,902	1,096,192
Intangible assets	18	208,843	235,050
Deferred tax assets	29	157,101	183,032
Other investments	20	3,248	4,288
Other receivables	21	4,362	4,177
		<u>2,085,619</u>	<u>2,003,327</u>
Current assets			
Inventories		1,951	2,086
Trade and other receivables	22	20,394	16,129
Cash and cash equivalents	23	8,668	7,713
		<u>31,013</u>	<u>25,928</u>
Total assets		<u>2,116,632</u>	<u>2,029,255</u>
Current liabilities			
Trade and other payables	24	(149,866)	(144,870)
Income tax liability		(1,308)	(3,060)
Loans and borrowings	25	(420)	(422)
Provisions	28	(2,005)	(467)
Lease liabilities	17	(7,435)	(5,931)
		<u>(161,034)</u>	<u>(154,750)</u>
Net current liabilities		<u>(130,021)</u>	<u>(128,822)</u>
Non-current liabilities			
Loans and borrowings	25	(890,479)	(899,650)
Provisions	28	(1,443)	(1,560)
Contract liabilities	4	(4,640)	(6,228)
Deferred tax liabilities	29	(212,173)	(223,651)
Lease liabilities	17	(1,158,886)	(1,102,595)
		<u>(2,267,621)</u>	<u>(2,233,684)</u>
Total liabilities		<u>(2,428,655)</u>	<u>(2,388,434)</u>
Net liabilities		<u>(312,023)</u>	<u>(359,179)</u>

The notes on pages 67 to 115 form an integral part of these financial statements.

Deuce Midco Limited

(Registration number: 11385914)

Consolidated Statement of Financial Position as at 31 December 2024

		31 December 2024 £ 000	31 December 2023 £ 000
	Note		
Equity			
Share capital	30	425,798	425,798
Share premium	30	271,336	271,336
Capital contribution reserve	30	3,550	3,550
Merger reserve	30	(528,465)	(528,465)
Foreign currency translation reserve	30	(6,987)	1,083
Share based payment reserve	30	18,451	16,195
Other reserves	30	2,569	2,569
Accumulated losses	30	(498,275)	(551,245)
Total shareholders' deficit		<u>(312,023)</u>	<u>(359,179)</u>

Approved by the Board on 28 April 2025 and signed on its behalf by:



PJ Burrows
Director

The notes on pages 67 to 115 form an integral part of these financial statements.

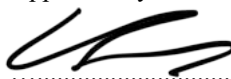
Deuce Midco Limited

(Registration number: 11385914)

Parent Company Statement of Financial Position as at 31 December 2024

	Note	31 December 2024 £ 000	31 December 2023 £ 000
Assets			
Non-current assets			
Investments	19	677,561	675,305
Other receivables	21	773,171	755,808
		<u>1,450,732</u>	<u>1,431,113</u>
Current assets			
Cash and cash equivalents	23	6	6
		<u>6</u>	<u>6</u>
Total assets		<u>1,450,738</u>	<u>1,431,119</u>
Current liabilities			
Trade and other payables	24	(1,074,199)	(1,020,338)
Net current liabilities		<u>(1,074,193)</u>	<u>(1,020,332)</u>
Non-current liabilities			
Loans and borrowings	25	1,237	1,869
Total liabilities		<u>(1,072,962)</u>	<u>(1,018,469)</u>
Net assets		<u>377,776</u>	<u>412,650</u>
Equity			
Share capital	30	425,798	425,798
Share premium	30	271,336	271,336
Share based payment reserve	30	17,511	15,255
Accumulated losses	30	(336,869)	(299,739)
Total shareholders' funds		<u>377,776</u>	<u>412,650</u>

Approved by the Board on 28 April 2025 and signed on its behalf by:



 PJ Burrows
 Director

No income statement has been presented for the Company as permitted by section 408 of the Companies Act 2006. The Company made a loss after tax for the financial year of £37,130,000 (2023: loss of £36,560,000).

The notes on pages 67 to 115 form an integral part of these financial statements.

Deuce Midco Limited

Consolidated Statement of Changes in Equity for the Year ended 31 December 2024

	Share capital £ 000	Share premium £ 000	Capital contribution reserve £ 000	Merger reserve £ 000	Foreign currency translation reserve £ 000	Share-based payment reserve £ 000	Other reserves £'000	Accumulated losses £ 000	Total shareholders' deficit £ 000
At 1 January 2024	425,798	271,336	3,550	(528,465)	1,083	16,195	2,569	(551,245)	(359,179)
Profit for the financial year	-	-	-	-	-	-	-	52,970	52,970
Other comprehensive expense	-	-	-	-	(8,070)	-	-	-	(8,070)
Total comprehensive income for the financial year	-	-	-	-	(8,070)	-	-	52,970	44,900
Share based payment transactions	-	-	-	-	-	2,256	-	-	2,256
At 31 December 2024	425,798	271,336	3,550	(528,465)	(6,987)	18,451	2,569	(498,275)	(312,023)

The notes on pages 67 to 115 form an integral part of these financial statements.

Deuce Midco Limited

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

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

The notes on pages 67 to 115 form an integral part of these financial statements.

Deuce Midco Limited

Parent Company Statement of Changes in Equity for the Year ended 31 December 2024

	Share capital £ 000	Share premium £ 000	Share-based payment reserve £ 000	Accumulated losses £ 000	Total shareholders' funds £ 000
At 1 January 2024	425,798	271,336	15,255	(299,739)	412,650
Loss for the financial year	-	-	-	(37,130)	(37,130)
Total comprehensive loss for the financial year	-	-	-	(37,130)	(37,130)
Share based payment transactions			2,256	-	2,256
At 31 December 2024	425,798	271,336	17,511	(336,869)	377,776

The notes on pages 67 to 115 form an integral part of these financial statements.

Deuce Midco Limited

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

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

The notes on pages 67 to 115 form an integral part of these financial statements.

Deuce Midco Limited

Consolidated Statement of Cash Flows for the Year ended 31 December 2024

	Note	Year ended 31 December 2024 £ 000	Year ended 31 December 2023 £ 000
Cash flows from operating activities			
Profit for the financial year		52,970	24,185
Adjustments to reconcile to operating cash flows:			
Depreciation and amortisation	8	101,260	98,069
Net impairment charge	8	7,709	3,716
(Profit)/loss on disposal	7	(3,759)	608
Finance income	13	(13,374)	(7,162)
Finance costs	13	140,177	135,587
Share-based payment expense		2,256	5,117
Tax charge/(credit)	14	13,592	(18,883)
Increase/(decrease) in provisions	28	1,424	(6,130)
		302,255	235,107
Working capital adjustments (including impact of acquisition):			
Decrease/(increase) in inventories		119	(270)
(Increase)/decrease in trade and other receivables		(3,918)	1,877
(Decrease)/increase in trade and other payables		(2,484)	8,535
		295,972	245,249
Cash generated from operations			
Income taxes paid		(2,405)	(697)
		293,567	244,552
Cash flows from investing activities			
Payments for property, plant and equipment		(125,862)	(101,764)
Payments for assets under construction		(9,973)	(11,858)
Payment for right-of-use assets under construction		(11,505)	(5,798)
Payment for acquisition of subsidiary, net of cash acquired	9	(5,313)	(5,255)
Proceeds from sale of property, plant and equipment		4	84
Payment of contingent consideration		(275)	(32)
Acquisition of intangible assets		(3,463)	(4,181)
Interest received		1,807	1,556
Dividends received		15	18
Transaction costs paid in relation to right-of-use assets		(231)	(425)
		(154,796)	(127,655)
Net cash flows from investing activities			

The notes on pages 67 to 115 form an integral part of these financial statements.

Deuce Midco Limited

Consolidated Statement of Cash Flows for the Year ended 31 December 2024

	Note	Year ended 31 December 2024 £ 000	Year ended 31 December 2023 £ 000
Cash flows from financing activities			
Repayment of principal on lease liabilities		(17,276)	(17,912)
Payment of interest on lease liabilities		(78,381)	(74,411)
Proceeds from funders for sale and leasebacks		15,973	29,286
Interest paid		(58,813)	(57,591)
Payment of rent guarantees		-	(85)
Receipt of rent guarantees		505	-
Repayment of borrowings		(2,156)	(1,929)
Lease incentives received		2,500	2,000
Net cash flows from financing activities		<u>(137,648)</u>	<u>(120,642)</u>
Net increase/(decrease) in cash and cash equivalents		1,123	(3,745)
Cash and cash equivalents at beginning of year		7,713	11,495
Effect of exchange rate changes on cash and cash equivalents		(168)	(37)
Cash and cash equivalents at end of year	23	<u>8,668</u>	<u>7,713</u>

The notes on pages 67 to 115 form an integral part of these financial statements.

Deuce Midco Limited

Notes to the Financial Statements for the Year ended 31 December 2024

1 General information

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

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

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

2 Material accounting policies

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

Basis of preparation

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

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

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

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

Climate change

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

Specifically, we note that:

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

Deuce Midco Limited

Notes to the Financial Statements for the Year ended 31 December 2024

2 Material accounting policies (continued)

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and all of its subsidiaries at 31 December 2024. All subsidiaries have a reporting date of 31 December.

No income statement is presented for the Company as permitted by section 408 of the Companies Act 2006. The Company made a loss after tax for the financial year of £37.1m (2023: loss of £36.6m).

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

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

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

Going concern

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

In preparing these financial statements, the Directors have assessed the Group and Company's ability to continue as a going concern. This assessment has considered the Group's and Company's liquidity position, cash flow forecasts, expected trading performance through to October 2026 and the prevailing macroeconomic environment.

Liquidity

The Group is financed by £645m and €300m (c. £260m) of Senior Secured Notes, maturing on 15 June 2027.

In addition, the Group has access to a £125m super senior revolving credit facility ("SSRCF") maturing on 18 December 2026. The SSRCF is subject to a single financial covenant relating to Consolidated Leverage Ratio (EBITDA to Net Debt ratio) only if the SSRCF is at least 40% drawn. As at 31 March 2025, £30 million of the SSRCF had been converted into an overdraft facility for short-term working capital funding, while £10 million was designated as a guarantee facility, leaving £115 million available for drawdown. The guarantee facility is excluded from covenant testing.

As of 31 March 2025, the Group held immediately available cash of c. £22.2m and total liquidity of c. £147.2m including the undrawn SSRCF.

Recent trading performance of clubs

The Group delivered a strong financial and operational performance over the past 12 months, which was driven by growth in membership numbers, revenue and Adjusted EBITDA (pre-IFRS 16) as well as lower utility costs due to favourable market pricing. This positive momentum has continued in 2025. At 31 March 2025, the Group had 793k members (December 2024: 785k). The Group's business model is underpinned by affluent members who are loyal and generate significant recurring subscription income. Our members value health and wellbeing and have a high disposable income. More than 75% of the Group's revenues are generated through member subscriptions with most members on rolling contracts requiring them to provide 3 months' notice to leave. The Group expects to deliver substantial EBITDA growth in FY25.

Deuce Midco Limited

Notes to the Financial Statements for the Year ended 31 December 2024

2 Material accounting policies (continued)

Going concern (continued)

Cash flow forecasts and scenario analysis

The Directors have reviewed the forecast cash flows of the Group, and available liquidity over the 18-month period ending 31 October 2026.

The Group's base case scenario reflects substantial EBITDA growth driven by net member count gain in FY25 and FY26 and a higher revenue yield through premiumisation. Energy costs are c. 82% hedged for FY25 and 6% hedged for FY26 giving the Board increased confidence on likely outcomes.

The base case scenario includes cost increases in labour and cleaning, in line with increases in the UK national living wage and changes to the national insurance thresholds, and general inflationary pressures across other cost categories.

Under the base case scenario, there is no requirement to test the financial covenant, and the Group has sufficient liquidity throughout the forecast period.

The Directors have also considered a severe downside scenario, assuming a 10% reduction (approximately 80k members) in membership by October 2026 compared to the December 2024 position. In this scenario there is no requirement to test the financial covenant, and the Group has sufficient liquidity throughout the 18-month period ending 31 October 2026.

A reverse stress test scenario was also performed to ascertain what reduction in membership numbers would be required to breach the Group's liquidity or financial covenant. Mitigating actions including reducing operating and marketing costs, reducing repairs and maintenance expenditure to essential spend only and reducing investment and pipeline capex to preserve cash have been modelled. In this scenario member count would have to decline on average 34% each month during 2026 for the financial covenant to breach in September 2026. This is the equivalent of the September 2026 closing count being 51% (401k) lower than the closing count as at December 2024. Even under this severe scenario the Group would have sufficient liquidity to continue to settle liabilities as they fall due.

In this reverse stress scenario, the Directors could take further mitigating action, albeit not all within their control, including stopping all capital expenditure, delivering labour savings through head count reduction, asset liquidation through selling plant and equipment, the sale and leasebacks of remaining freehold and extending leases. Liquidity could also be generated from the issuance of new equity and covenant waivers could be sought from lenders. The Directors view this scenario as highly unlikely, especially in light of consumer resilience in prioritising health and wellbeing. Furthermore, the required member count reduction would be significantly higher than the 14% (c. 94k) members we lost during enforced closures following the COVID-19 pandemic.

Conclusion

Having considered the Group's liquidity position and cash flow forecasts, the Directors are confident that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they have adopted the going concern basis in preparing these financial statements.

Revenue recognition

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

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

- Membership subscriptions;
- Administration and joining fees;
- Sale of sports lessons including swimming, tennis and personal training;
- Sale of spa vouchers;
- Other retail sales, including food and beverage and crèche services;
- Franchise rent income.

Deuce Midco Limited

Notes to the Financial Statements for the Year ended 31 December 2024

2 Material accounting policies (continued)

Revenue recognition (continued)

Membership subscriptions

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

Administration and joining fees

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

The average membership periods over which revenue is recognised are:

Standard membership: 24 months

Flexible membership: 1 month

Annual membership: 24 months

Retail sales

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

Other revenue

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

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

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

Other income

Government grants

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

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

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

Deuce Midco Limited

Notes to the Financial Statements for the Year ended 31 December 2024

2 Material accounting policies (continued)

Other income (continued)

Research and development tax credits

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

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

VAT reclaims

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

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

Construction contracts for leaseback

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

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

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

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

Exceptional items

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

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

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

Foreign currency transactions and balances

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

Deuce Midco Limited

Notes to the Financial Statements for the Year ended 31 December 2024

2 Material accounting policies (continued)

Foreign currency transactions and balances (continued)

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

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

The average conversion rate during the period was £1: €1.18 (2023: £1: €1.15), and at the statement of financial position date was £1: €1.21 (2023: £1: €1.15).

Borrowings

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

Borrowing costs

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

Tax

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

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

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

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. For each same taxing authority, the maximum deferred tax asset that can be recognised is equal to the deferred tax liability. There is no restriction if there is a net deferred tax liability.

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

Investments

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

Deuce Midco Limited

Notes to the Financial Statements for the Year ended 31 December 2024

2 Material accounting policies (continued)

Property, plant and equipment

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

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

Assets under construction represent costs incurred in respect of the development of new clubs. No depreciation is charged until the new club is brought into operation.

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

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

Depreciation

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

Freehold land, Assets under construction and Work in progress are not depreciated.

Freehold Buildings - 50 years

Fixtures, Fittings and Equipment - between 3 and 23 years

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

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

Business combinations

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

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

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

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

Deuce Midco Limited

Notes to the Financial Statements for the Year ended 31 December 2024

2 Material accounting policies (continued)

Goodwill

Goodwill is initially recognised and measured as set out above.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to groups of cash-generating units ("CGU") that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Goodwill arising on the acquisition by TDR on 1 November 2013 is monitored internally by management at the Group level. The Group is considered to be the smallest relevant group of CGUs for goodwill impairment. Goodwill has also been recognised in relation to individual club acquisitions or acquisitions of a group of clubs. For these acquisitions the relevant club or group of clubs is considered to be the CGU.

Intangible assets

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

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

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

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

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

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

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

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

Internally-generated intangible assets are amortised over their useful lives of 2 to 3 years.

Impairment of tangible and intangible assets

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

Deuce Midco Limited

Notes to the Financial Statements for the Year ended 31 December 2024

2 Material accounting policies (continued)

Impairment of tangible and intangible assets (continued)

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.

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

Investments are reviewed for impairment based upon their recoverable amount.

Other investments

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

Inventories

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

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

Creditors

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

Trade and other receivables

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

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

Provisions

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

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

Deuce Midco Limited

Notes to the Financial Statements for the Year ended 31 December 2024

2 Material accounting policies (continued)

Employee benefits

Pension obligations

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

Senior management incentive plan

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

Share-based payments

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

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

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

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

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

Employee Benefit Trust

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

Share capital

Ordinary shares are classified as equity.

Financial liabilities

Classification

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

Deuce Midco Limited

Notes to the Financial Statements for the Year ended 31 December 2024

2 Material accounting policies (continued)

Financial liabilities (continued)

Recognition and measurement

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

Financial assets

Classification

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

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

Recognition and measurement

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

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

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

Impairment

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

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

Derecognition of financial assets

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

Leases

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

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

Deuce Midco Limited

Notes to the Financial Statements for the Year ended 31 December 2024

2 Material accounting policies (continued)

Leases (continued)

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

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

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

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

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

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

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

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

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

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

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

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

Deuce Midco Limited

Notes to the Financial Statements for the Year ended 31 December 2024

2 Material accounting policies (continued)

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 2024 that have had a material impact on the Group's financial statements. For completeness the following new standards, amendments and interpretations are newly mandatorily effective for the first time in the current period:

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

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

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

- Amendments to IAS 21: Lack of Exchangeability
- Amendments to IFRS 7 and IFRS 9: Classification and Measurement of Financial Instruments
- Amendments to IFRS 7 and IFRS 9: Contracts referencing Nature-dependent Electricity
- IFRS 18: Presentation and Disclosure in Financial Statements
- IFRS 19: Subsidiaries without Public Accountability: Disclosures

The directors do not expect that the adoption of the new standards and amendments to the existing standards listed above will have a material impact on the consolidated financial statements of the group in future periods, except as indicated below.

IFRS18 Presentation and Disclosures in Financial Statements

IFRS 18 replaces IAS 1 Presentation of Financial Statements, carrying forward many of the requirements in IAS 1 unchanged and complementing them with new requirements. In addition, some IAS 1 paragraphs have been moved to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and IFRS 7 Financial Instruments: Disclosures. Furthermore, the IASB has made minor amendments to IAS 7 Statement of Cash Flows and IAS 33 Earnings Per Share.

IFRS 18 introduces new requirements to:

- present specified categories and defined subtotals in the statement of profit or loss;
- provide disclosures on management-defined performance measures (MPMs) in the notes to the financial statements; and
- improve aggregation and disaggregation.

The amendments to IAS 7 and IAS 33, as well as the revised IAS 8 and IFRS 7, become effective when an entity applies IFRS 18. IFRS 18 requires retrospective application with specific transition provisions. The directors anticipate that the application of the new standard may have an impact on the group's consolidated financial statements in future periods.

3 Critical accounting judgements and key sources of estimation uncertainty

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

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

Deuce Midco Limited

Notes to the Financial Statements for the Year ended 31 December 2024

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

Key sources of estimation uncertainty

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

Key assumptions used for value-in-use calculations

The Group tests the carrying amounts of individual club non-current assets for impairment for those clubs that meet pre-defined impairment indicators. For the 2024 and 2023 reporting periods, the recoverable amount of the cash-generating units (CGUs) was determined based on value-in-use calculations which require the use of assumptions. The key assumptions are:

- The calculations use cash flow projections based on financial budgets and business plans approved by the Board covering a five-year period. The key assumptions in calculating EBITDAR within the business plan are membership count growth, yield growth and inflationary increases applied to operating costs.
- The pre-tax discount rates of 12.0% for the UK, 12.5% for Germany, 12.7% for Spain, 11.5% for Holland and 9.5%-14.2% for other European countries have been determined using the Capital Asset Pricing Model ("CAPM").

Cash flows beyond the five-year period, a judgement but not deemed a sensitive key assumption, are extrapolated using an estimated growth rate of 2.1% for the UK and 0.8% - 2.1% across Europe. These growth rates are consistent with forecasts specific to the industry and the country in which each CGU operates.

Sensitivity to changes in key assumptions are disclosed within note 15.

Key assumptions used for reversals of impairment

The group assesses whether the carrying value of individual club impairments recognised in prior periods can be reversed when the following criteria are met:

- The recoverable amount needs to be supported for a minimum of three consecutive years;
- A minimum headroom of 20% is remaining when comparing value-in-use to the carrying value of the CGU, post impairment-reversal.

The assumptions used to determine value-in-use calculations are set out above.

Critical judgements in applying the entity's accounting policies

Lease accounting

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

Significant judgement is involved in determining the period over which a lease is considered to be 'enforceable'. Where contracts have a term of greater than 10 years, the Group assesses there to be an unclear indication that it would in substance be deemed to be 'enforceable' beyond the original contractual term, despite the rights provided by The Landlord and Tenant Act 1954. The lease end date has therefore been used as the end date for the lease. For leases due to expire within 10 years of inception, the likelihood of extension is being assessed up to the year end with reference to the facts available and looking at the Group's history of renewing leases beyond the contractual end date. See note 17 for future minimum lease payments in respect of leases with a term of less than 10 years remaining.

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

Deuce Midco Limited

Notes to the Financial Statements for the Year ended 31 December 2024

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

Critical judgements in applying the entity's accounting policies (continued)

Key assumptions used for assessing goodwill for impairment

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

4 Revenue

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

	Year ended 31 December 2024	Year ended 31 December 2023
	£ 000	£ 000
Membership subscriptions	701,872	612,474
Retail	80,680	70,576
Other revenue	78,221	73,271
	<u>860,773</u>	<u>756,321</u>

Other revenue comprises income from the provision of personal training, tennis, swimming classes, spa income, and franchise rent income.

Revenue in the year ended 31 December 2024 increased to £860.8m (2023: £756.3m), reflecting higher average membership numbers and yield in the year ended 31 December 2024 compared to the prior year.

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

	Year ended 31 December 2024	Year ended 31 December 2023
	£ 000	£ 000
UK	714,344	628,195
Europe	146,429	128,126
	<u>860,773</u>	<u>756,321</u>

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

	Year ended 31 December 2024	Year ended 31 December 2023
	£ 000	£ 000
Membership subscriptions	35,509	30,863
Joining and other administration fees	3,024	2,619
Other	1,777	930
	<u>40,310</u>	<u>34,412</u>

Deuce Midco Limited

Notes to the Financial Statements for the Year ended 31 December 2024

4 Revenue (continued)

Contract liabilities at the year end were as follows:

	Year ended 31 December 2024	Year ended 31 December 2023
	£ 000	£ 000
Current contract liabilities (note 24)	44,065	43,247
Non-current contract liabilities	4,640	6,228
	<u>48,705</u>	<u>49,475</u>

Contract liabilities relate to membership subscriptions, joining and administration fees, sales of sports classes and spa vouchers received in advance of performance under the contract and government grants repayable. IFRS 15 uses the term 'contract liability' to describe what might more commonly be known as 'deferred revenue'.

The current contract liability balance of £44.1m is expected to be released and recognised within revenue in the next twelve months assuming all performance obligations have been satisfied, with the exception of £3.4m, which relates to government grants in the Netherlands and Germany. £1.1m (€1.3m) of the amount received from the Netherlands will be repaid within the next twelve months.

5 Other income

	Year ended 31 December 2024	Year ended 31 December 2023
	£ 000	£ 000
Construction contract revenue	2,758	2,569
Government grant income	-	295
VAT reclaim	492	623
Research and development tax credit	322	175
	<u>3,572</u>	<u>3,662</u>

The Group's other income includes revenue from construction contracts that are recognised over time by reference to the stage of completion of the contract with the customer. This revenue is classified within 'other income' so as not to distort the Group's revenue, which is derived from the provision of sport and leisure activities. Costs incurred on construction contracts are recognised within 'other operating expenses'.

The Group entered into a funding agreement to construct a new club in Bury St Edmunds, Suffolk and subcontracted the build to Bowmer and Kirkland Limited. An agreement to lease the land and buildings had been entered into for a period of 30 years. The effective date of this agreement was the practical completion date, being 15 November 2024. Construction contract revenue recognised in the prior period related to the construction of Shawfair, which completed on 28 July 2023.

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

During the year, £0.5m of proceeds (2023: £0.6m) from a VAT claim were recognised.

Deuce Midco Limited

Notes to the Financial Statements for the Year ended 31 December 2024

6 Exceptional items

	Note	Year ended 31 December 2024 £ 000	Year ended 31 December 2023 £ 000
IT implementation costs		10,515	7,881
Legal claim provisions	28	-	(4,691)
Professional fees		-	2,853
Exceptional items		10,515	6,043

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

Legal claim provisions in the prior year were settled on 6 October 2023.

Professional fees in the prior year relate to significant costs incurred for corporate activities, which were outside the normal course of business.

The tax effect of the exceptional items disclosed above was a £nil (2023: £nil).

Exceptional items listed above generated a net cash outflow of £11.5m (2023: £9.6m) which was higher than IT implementation costs recognised in the year due to the settlement of costs accrued in the prior year. In the prior year, there was an additional cash outflow of £2.8m relating to the legal claim provision held at 31 December 2022.

7 Profit/(loss) on disposal

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

	Year ended 31 December 2024 £ 000	Year ended 31 December 2023 £ 000
Loss on disposal of other PP&E	(87)	(1,966)
Loss on sale and leaseback of UK land and buildings	(229)	(44)
Profit on exiting lease	4,075	1,402
	3,759	(608)

The Group recorded a profit on disposal of gym equipment of £10k (2023: £500k) for the year ended 31 December 2024 which is recognised within other operating expenses.

On 15 November 2024, the Group completed a sale and leaseback of a club in Bury St. Edmunds, and a loss on disposal of £0.2m was recognised.

On 2 December 2024, notice was served to terminate the lease on the Utrecht club at 31 January 2025. The lease liability was remeasured in line with the revised lease end date and the right of use asset was derecognised, resulting in a profit on exiting the lease of £4.1m.

Loss on disposal of other PP&E (excluding gym equipment) of £0.1m (2023: £2.0m) relates to disposals of assets in the normal course of business.

Deuce Midco Limited

Notes to the Financial Statements for the Year ended 31 December 2024

8 Operating profit

Arrived at after charging/(crediting):

		Year ended 31 December 2024	Year ended 31 December 2023
	Note	£ 000	£ 000
Depreciation and amortisation expense	16, 17, 18	101,260	98,069
Impairment of goodwill	18	20,970	3,000
Impairment of PP&E	16	2,457	122
Impairment reversals of PP&E	16	(9,986)	-
Impairment of right-of-use assets	17	8,687	594
Impairment reversals of right-of-use assets	17	(14,419)	-
Staff costs	11	239,132	214,112
IFRS 16 operating lease expense		5,094	3,884
Exceptional items	6	10,515	6,043

The cost of inventories recognised as an expense and included in cost of sales amounted to £28.7m (2023: £25.1m). This includes inventory write downs of £1.1m (2023: £1.2m).

Net impairment losses of £7.7m (2023: £3.7m) have been included within other operating expenses. These include £24.4m of impairment reversals, primarily relating to impairments originally recognised in 2020 as a direct result of the COVID-19 pandemic. The original impairment charge was reported within exceptional items within the notes to the financial statements. In 2022, the directors reassessed the policy for exceptional items and determined that impairment charges, which may arise on a recurring basis, should no longer be classified as exceptional. As a result, the accounting policy was amended in 2022 to exclude impairment charges. Accordingly, impairment reversals in the current year have not been presented in exceptional items, in line with the revised policy.

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

9 Business combinations

On 30 August 2024, the Group entered into an agreement to purchase the entire issued share capital of Mosaic Spa and Health Club (Shrewsbury) Limited which operates a club named The Shrewsbury Club in Shropshire. The purchase was effected through David Lloyd Leisure Limited, an entity within the Group.

The total cash consideration was £5.4m, transferred to the sellers for the shares. The purchase was funded from existing cash reserves. Upon completing the acquisition, the Group settled external loans of £1.8m held by the company, which has been classified as repayment of borrowings in the consolidated statement of cashflows.

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

Deuce Midco Limited

Notes to the Financial Statements for the Year ended 31 December 2024

9 Business combinations (continued)

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

	Book value £ 000	Provisional fair value adjustment £ 000	Provisional fair value on acquisition £ 000
Assets			
Customer contracts	-	385	385
Property, plant and equipment – land and buildings	1,802	3,657	5,459
Property, plant and equipment – fixtures and fittings	657	-	657
Cash and cash equivalents	87	-	87
Inventories	8	(8)	-
Trade and other receivables	266	(70)	196
Liabilities			
Loans and borrowings	(1,750)	-	(1,750)
Trade and other payables	(642)	-	(642)
Deferred tax liabilities	(98)	(1,010)	(1,108)
Total identifiable net assets at acquisition	<u>330</u>	<u>2,954</u>	<u>3,284</u>
Consideration transferred			5,400
Goodwill recognised at acquisition			<u>2,116</u>

Provisional fair value adjustments principally relate to:

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

Property, Plant and Equipment: The fair value of assets acquired has been determined through a third-party valuation at 30 August 2024.

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

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

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

If the clubs had been acquired from 1 January 2024, they would have contributed pro-forma revenue for the financial period of £3.4m and an Adjusted EBITDA (pre-IFRS 16) of £0.6m.

Deuce Midco Limited

Notes to the Financial Statements for the Year ended 31 December 2024

10 Auditor's remuneration

	Year ended 31 December 2024 £ 000	Year ended 31 December 2023 £ 000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	12	11
The audit of the Company's subsidiaries pursuant to legislation	1,168	1,205
	<u>1,180</u>	<u>1,216</u>
Other fees to auditor		
Audit related assurance services	99	43
	<u>99</u>	<u>43</u>
	<u>1,279</u>	<u>1,259</u>

11 Staff costs

The aggregate payroll costs were as follows:

	Year ended 31 December 2024 £ 000	Year ended 31 December 2023 £ 000
Wages and salaries	212,287	187,178
Social security costs	20,612	18,094
Other pension costs	3,977	3,723
Long-term incentive plan charges	2,256	5,117
	<u>239,132</u>	<u>214,112</u>

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

	2024 No.	2023 No.
Club Support	390	383
Clubs	6,599	6,263
	<u>6,989</u>	<u>6,646</u>

There were no employees within the Company.

Deuce Midco Limited

Notes to the Financial Statements for the Year ended 31 December 2024

12 Directors' remuneration

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

	Year ended 31 December 2024 £ 000	Year ended 31 December 2023 £ 000
Aggregate remuneration	3,313	2,517
Pension costs	36	36
Compensation for loss of office	303	-
	3,652	2,553

In respect of the highest paid Director:

	Year ended 31 December 2024 £ 000	Year ended 31 December 2023 £ 000
Aggregate remuneration	1,070	942
	1,070	942

13 Finance income and costs

	Year ended 31 December 2024 £ 000	Year ended 31 December 2023 £ 000
Finance income		
Interest income on bank deposits	1,807	1,556
Dividend income	15	18
Foreign exchange gains	11,448	5,527
Other interest income	104	61
Total finance income	13,374	7,162
Finance costs		
Interest on bank overdrafts and borrowings	(58,622)	(57,752)
Interest on lease liabilities	(78,381)	(74,411)
Amortisation of loan arrangement fees	(3,077)	(3,069)
Unwinding of discount on provisions	(5)	(16)
Other interest payable	(92)	(339)
Total finance costs	(140,177)	(135,587)
Net finance costs	(126,803)	(128,425)

Foreign exchange gains in the year (2023: gains) primarily relate to the gain (2023: gain) on translation of the Euro senior secured notes.

Deuce Midco Limited

Notes to the Financial Statements for the Year ended 31 December 2024

14 Income tax

Tax charge in the income statement:

	Year ended 31 December 2024 £ 000	Year ended 31 December 2023 £ 000
Current taxation		
UK corporation tax	192	50
Foreign corporation tax	979	2,050
Adjustment in respect of prior periods	(553)	(357)
	<u>618</u>	<u>1,743</u>
Deferred taxation		
Arising from origination and reversal of temporary differences	11,987	(16,624)
Adjustment in respect of prior periods	987	(4,002)
Total deferred taxation	<u>12,974</u>	<u>(20,626)</u>
Tax charge / (credit) in the income statement	<u>13,592</u>	<u>(18,883)</u>

UK corporation tax is calculated at 25.0% (2023: 23.5%) of the estimated taxable profit for the year. In the Spring Budget, 2021, the UK government announced that from 1 April 2023, the corporation tax rate would increase to 25% (rather than remaining at 19%, as previously enacted). This new law was substantively enacted on 24 May 2021.

Deferred taxes at the balance sheet date have been measured using the enacted tax rate and reflected in the financial statements.

Taxation for other corporation jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The tax charge for the year is lower (2023: lower) than the standard rate of corporation tax. The differences are explained below:

	Year ended 31 December 2024 £ 000	Year ended 31 December 2023 £ 000
Profit before tax	<u>66,562</u>	<u>5,302</u>
Corporation tax at standard rate 25.0% (2023: 23.5%)	16,640	1,246
Effect of non-deductible expenses	12,312	5,319
Impact of tax depreciation in excess of cost	-	(611)
Effect of tax losses	-	(17,248)
Deferred tax (now recognised)/not recognised	(7,717)	2,358
Group relief with parent company for no consideration	(8,565)	(7,295)
Effect of different tax rates	488	1,707
Adjustments in respect of prior periods	<u>434</u>	<u>(4,359)</u>
Total tax charge/(credit)	<u>13,592</u>	<u>(18,883)</u>

The adjustment in respect of prior periods of £0.4m (2023: £4.4m credit) primarily relates to the analysis of the tax treatment of losses carried forward.

Deuce Midco Limited

Notes to the Financial Statements for the Year ended 31 December 2024

14 Income tax (continued)

The Group is within the scope of the OECD Pillar Two model rules. Pillar Two legislation has been enacted in the UK, the jurisdiction in which the entity is incorporated, and is effective in 2024. Reviewing the rules, the Group's assessment is that the transitional safe harbour rules apply for all territories, and therefore there is no material impact on the amounts recognised in these consolidated financial statements because of Pillar Two.

The Group applies the exemption to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

15 Impairment testing

Goodwill and brands with indefinite lives are subject to an annual impairment test. Goodwill and brands are allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Goodwill arising on the acquisition by TDR on 1 November 2013 is monitored internally by management at the Group level.

The Group is considered to be the smallest relevant group of CGUs for goodwill impairment. Goodwill has also been recognised in relation to individual club acquisitions or acquisitions of a group of clubs. For these acquisitions the relevant club or group of clubs is considered to be the CGU. Club impairments of property, plant and equipment and right-of-use assets are charged to individual clubs as these are considered to be separate cash generating units (CGUs) at which the Group monitors performance.

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

CGU	31 December 2024 £'000	31 December 2023 £'000
Group	82,930	84,280
Germany	13,794	35,923
UK	32,804	32,804
Other CGUs	13,169	11,164
Total	142,697	164,171

Group CGU relates to goodwill arising on acquisition by TDR in 2013. Germany CGU relates to goodwill arising on the acquisition of 8 Meridian Spa and Health clubs in 2020. UK CGU relates to goodwill arising on the acquisition of 14 Virgin Active clubs in 2017. Other CGUs relates to goodwill arising on the acquisitions of the Harrogate club in 2017, Geneva Country Club in 2020, Accura clubs in 2021, Reebok clubs in 2022, the Wickwoods club in 2023, and the Shrewsbury club in 2024.

Key assumptions used in value in use calculations

The recoverable amount of goodwill, property, plant and equipment and right-of-use assets is determined based on a value in use calculation using cash flow projections from financial budgets approved by senior management for a five year period. The key assumptions in this calculation are the future cashflow projections to 2029 and the pre-tax discount rate. The pre-tax discount rates applied to cash flow projections used to extrapolate the cash flows beyond the five-year period are:

Country	2024	2023
UK	12.00%	11.30%
Germany	12.50%	11.50%
Spain	12.70%	11.70%
Holland	11.50%	10.80%
Other European countries	9.50-14.20%	9.30-12.50%

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

Cash flows beyond the five-year period are extrapolated using a range of estimated growth rates from 2.1% for the UK and between 0.8% and 2.1% across Europe (2023: 2.0% for UK and between 1.5% and 2.1% across Europe). This is a judgement made by management but not deemed to be a sensitive key assumption.

Deuce Midco Limited

Notes to the Financial Statements for the Year ended 31 December 2024

15 Impairment testing (continued)

Key assumptions used in value in use calculations (continued)

An impairment has been recognised where there is an indication that the future economic performance of the CGU will not be sufficient to support its carrying value.

Significant estimate: impairment charge

The Group recorded a net impairment loss of £7.7m during the year. This comprised a £21.0m impairment of goodwill, £2.4m of impairment of property, plant and equipment, and £8.7m impairment of right-of-use assets, partially offset by impairment reversals of £10.0m and £14.4m against property, plant and equipment and right-of-use assets respectively. The recoverable amount for these CGUs and assets, which were subject to impairment/impairment reversal were:

	Recoverable amount 2024 £'000
Goodwill CGU subject to impairment	98,899
PP&E and right-of-use assets subject to impairment	31,993
PP&E and right-of-use assets subject to impairment reversal	449,808

Goodwill impairment relates to the Germany CGU and reflects that the Germany economy remains challenging. The PP&E and right-of-use asset impairment charge relates to CGUs in Germany where the economy remains challenging, and in the Netherlands where the right-of-use asset exceeds the recoverable amount. Impairment reversals were driven by strong Group performance in FY24 which is expected to continue into FY25.

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

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

If the pre-tax discount rates applied to cash flow projections was to increase by 2% (200 basis points), a reasonably possible change in assumption considered by the directors, the Group would have to recognise a further impairment charge against goodwill of £15.0m – with £11.0m attributable to the Germany CGU, where headroom is £nil, and £4.0m attributable to Other CGUs, where headroom is minimal. Furthermore, there would be an additional net impairment charge against property, plant and equipment of £6.7m and right-of-use assets of £5.9m, across clubs mainly in Germany.

The Group CGU for goodwill has headroom of £1,896.3m. For this headroom to have been fully eliminated, the pre-tax discount rates applied to cash flow projections across the Group would have to increase by 11.67% (1,167 basis points).

The UK CGU for goodwill has headroom of £161.4m. For this headroom to have been fully eliminated, the pre-tax discount rates applied to cash flow projections across the UK would have to increase by 11.46 % (1,146 basis points).

If the future annual EBITDAR applied to cash flow projections were to decrease by 2% (200 basis points), a reasonably possible change in assumption considered by the directors, the Group would have to recognise a further impairment charge against goodwill of £2.2m, attributable to the Germany CGU where headroom is £nil. Furthermore, there would be an additional net impairment charge against property, plant and equipment of £5.7m and right-of-use assets of £1.5m, across clubs mainly in Germany.

For the headroom of £1,896.3m, relating to the Group CGU goodwill, to have been fully eliminated, the future annual EBITDAR applied to cash flow projections across the Group would have to decrease by 45.28% (4,528 basis points).

Deuce Midco Limited

Notes to the Financial Statements for the Year ended 31 December 2024

15 Impairment testing (continued)

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

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

	Impairment for the year ended 31 December 2024 £ 000	Impact of change in EBITDAR	
		-500 Bps £ 000	-1000 Bps £000
Germany CGU	20,970	5,511	11,021

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

	Impairment for the year ended 31 December 2024 £ 000	Impact of change in Long Term Growth Rate	
		-50 Bps £ 000	-100 Bps £000
Germany CGU	20,970	1,428	2,784

Deuce Midco Limited

Notes to the Financial Statements for the Year ended 31 December 2024

16 Property, plant and equipment

Group

	Land and buildings £ 000	Fixtures & fittings and equipment £ 000	Assets under construction £ 000	Work in progress £ 000	Total £ 000
Cost					
At 1 January 2023	300,229	348,879	12,402	31,351	692,861
Acquired through business combinations	5,292	981	-	-	6,273
Additions	41,471	51,546	11,858	19,295	124,170
Transfers	11,252	19,755	-	(31,007)	-
Disposals	(3,415)	(4,137)	(14,947)	-	(22,499)
Foreign exchange movements	(1,847)	(1,117)	(96)	(168)	(3,228)
As at 31 December 2023	352,982	415,907	9,217	19,471	797,577
Acquired through business combinations	5,459	657	-	-	6,116
Additions	26,594	78,847	29,448	14,676	149,565
Transfers	5,225	16,309	(11,515)	(18,837)	(8,818)
Disposals	(1,291)	(7,084)	(3,170)	-	(11,545)
Foreign exchange movements	(6,286)	(4,058)	(477)	(259)	(11,080)
As at 31 December 2024	382,683	500,578	23,503	15,051	921,815
Depreciation					
At 1 January 2023	79,807	193,948	-	-	273,755
Charge for the year	11,348	38,962	-	-	50,310
Impairments	63	59	-	-	122
Transfers	(3,670)	3,670	-	-	-
Disposals	(1,482)	(3,809)	-	-	(5,291)
Foreign exchange movements	(1,169)	(738)	-	-	(1,907)
As at 31 December 2023	84,897	232,092	-	-	316,989
Charge for the year	12,461	43,383	-	-	55,844
Impairment charge	1,997	460	-	-	2,457
Impairment reversal	(7,752)	(2,234)	-	-	(9,986)
Disposals	(1,283)	(6,990)	-	-	(8,273)
Foreign exchange movements	(2,595)	(1,784)	-	-	(4,379)
As at 31 December 2024	87,725	264,927	-	-	352,652
Carrying amount					
At 31 December 2024	294,958	235,651	23,503	15,051	569,163
At 31 December 2023	268,085	183,815	9,217	19,471	480,588

Deuce Midco Limited

Notes to the Financial Statements for the Year ended 31 December 2024

16 Property, plant and equipment (continued)

For the purposes of property, plant and equipment impairment reviews, the Group considers each club to be an individual cash-generating unit (CGU), with each CGU reviewed annually for indicators of impairment. The Group compared the carrying value of property, plant and equipment to the estimated value-in-use. The calculations use cash flow projections based on financial budgets and business plans approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated growth rate of 2.1% for the UK and 0.8% - 2.1% across Europe. These growth rates are consistent with forecasts specific to the industry and the country in which each CGU operates. The pre-tax discount rates of 12.0% for the UK, 12.5% for Germany, 12.7% for Spain, 11.5% for Holland and 9.5% - 14.2% for other European countries have been determined using the Capital Asset Pricing Model ("CAPM").

On 27 June 2024, the Group sold land in Bury St. Edmunds and entered into a funding agreement to construct a new club on the site. Construction costs incurred in the period to 27 June 2024 of £8.8m have been transferred from assets under construction within property, plant and equipment to right-of-use assets under construction, and £3.2m of land has been disposed of. In addition, there were £2.2m of fitout costs recognised within additions for this club. On 15 November 2024, the Group completed the sale and leaseback of the building.

On 18 December 2024, the Group purchased land in Herne Bay for £4.7m and construction commenced to build a new club on the site. Construction costs of £3.0m and the cost of the land are included within assets under construction.

Assets under construction also includes £15.8m relating to costs for a site in Boadilla, Madrid. Of these, £10.8m were additions in the current year (2023: £1.1m).

On 30 August 2024, the Group purchased the entire share capital of Mosaic Spa and Health Club (Shrewsbury) Limited for cash consideration of £5.4m. Property, plant and equipment of £6.1m was recognised on acquisition.

Deuce Midco Limited

Notes to the Financial Statements for the Year ended 31 December 2024

17 Leases

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

(i) Amounts recognised in the Statement of Financial Position

Right-of-use assets

	Land and buildings £ 000	Assets under construction £ 000	Equipment £ 000	Total £ 000
Cost				
At 1 January 2023	1,236,762	2,534	2,830	1,242,126
Additions	68,824	5,798	348	74,970
Disposals	(2,636)	-	(472)	(3,108)
Transfers	8,332	(8,332)	-	-
Foreign exchange movements	(4,513)	-	(4)	(4,517)
As at 31 December 2023	1,306,769	-	2,702	1,309,471
Additions	78,018	2,687	-	80,705
Disposals	(4,817)	-	(2,581)	(7,398)
Transfers	11,505	(2,687)	-	8,818
Foreign exchange movements	(9,838)	-	(5)	(9,843)
As at 31 December 2024	1,381,637	-	116	1,381,753
Depreciation				
At 1 January 2023	176,587	-	2,445	179,032
Charge for the year	36,912	-	531	37,443
Disposals	(1,973)	-	(472)	(2,445)
Impairment charge	594	-	-	594
Foreign exchange movements	(1,343)	-	(2)	(1,345)
As at 31 December 2023	210,777	-	2,502	213,279
Charge for the year	37,223	-	159	37,382
Disposals	(1,550)	-	(2,581)	(4,131)
Impairment charge	8,687	-	-	8,687
Impairment reversal	(14,419)	-	-	(14,419)
Foreign exchange movements	(1,944)	-	(4)	(1,948)
As at 31 December 2024	238,775	-	76	238,851
Carrying amount				
At 31 December 2024	1,142,862	-	40	1,142,902
At 31 December 2023	1,095,992	-	200	1,096,192

Deuce Midco Limited

Notes to the Financial Statements for the Year ended 31 December 2024

17 Leases (continued)

	31 December 2024 £ 000	31 December 2023 £ 000
Lease liabilities		
Current	(7,435)	(5,931)
Non-current	(1,158,886)	(1,102,595)
	<u>(1,166,321)</u>	<u>(1,108,526)</u>

On 2 December 2024, the Group entered into an agreement to terminate the lease at its club in Utrecht, effective 31 January 2025. The termination liability of £3.8m (€4.5m) is classified within current lease liabilities as at 31 December 2024.

Right of use asset additions were recognised for a new lease in Dusseldorf (£1.4m), and lease modifications for Notting Hill (£3.3m), Royal Berkshire (£10.5m), Amsterdam (£5.7m), Eindhoven (£16.1m) and Alstertal (£3.8m). Other additions of £28.4m relate to remeasurements as a result of rent reviews. Disposals primarily relate to the lease for Kiel, which expired on 31 January 2024 (£1.5m) and a remeasurement of the City Green (£1.2m) and Utrecht (£0.8m) leases.

On 27 June 2024, the Group sold land in Bury St Edmunds and entered into a funding agreement to complete the construction of a new club on the site. At this date, £8.8m of right of use assets under construction were transferred from PP&E (note 16). On 15 November 2024, the Group completed the sale and leaseback of the building and right-of-use assets under construction were transferred to land and buildings, which represents the proportion of land and buildings retained by the Group. A lease liability of £16.0m was also recognised at this date.

A net impairment reversal of £5.7m (2023: Charge of £0.6m) was recognised in the year. This consisted of impairment reversals of £14.4m, in relation to Rotterdam (£1.3m), Warrington (£1.5m), Aberdeen (£2.1m), Dundee (£2.2m), Newcastle (£3.5m), Ringwood (£1.1m), Worcester (£1.0m) and other clubs (£1.7m), and an impairment charge of £8.7m, in relation to Eindhoven (£4.7m), Barmbek (£1.4m), Wandsbek (£2.2m) and Am Michel (£0.4m).

(ii) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

	31 December 2024 £ 000	31 December 2023 £ 000
Depreciation charge on right-of-use assets		
Land and buildings	37,223	36,912
Equipment	159	531
	<u>37,382</u>	<u>37,443</u>
Interest expense (included in finance cost)	78,381	74,411
Expenses relating to variable lease payments not included in lease liabilities	745	432
Net impairment (reversal)/charge	(5,731)	594

Deuce Midco Limited

Notes to the Financial Statements for the Year ended 31 December 2024

17 Leases (continued)

(iii) Future minimum lease payments as at 31 December 2024 are as follows:

The total cash outflow for leases for the period was £95.7m (2023: £92.3m). In addition, £2.5m of cash lease incentives were received.

	31 December 2024 £ 000	31 December 2023 £ 000
Not later than one year	100,893	91,235
Later than one year and not later than five years	391,591	382,375
Later than five years and not later than ten years	485,834	468,154
Later than ten years and not later than twenty-five years	1,262,007	1,168,853
Later than twenty-five years and not later than fifty years	643,860	632,134
Later than fifty years	1,304,818	1,286,473
Total gross payments	4,189,003	4,029,224
Impact of finance expenses	(3,022,682)	(2,920,698)
Carrying amount of liability	1,166,321	1,108,526

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

31 December 2024

	Less than 10 years £ 000	More than 10 years £ 000	Total £ 000
Gross payments	66,780	4,122,223	4,189,003
Impact of finance expenses	(12,580)	(3,010,102)	(3,022,682)
Carrying amount of liability	54,200	1,112,121	1,166,321

31 December 2023

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

(iv) Amounts recognised in relation to operating leases:

The Group has entered into a number of concession agreements. Lease income from these arrangements recognised in the year ended 31 December 2024 was £5.4m (2023: £4.2m).

Deuce Midco Limited

Notes to the Financial Statements for the Year ended 31 December 2024

18 Intangible assets

Group					Software & other internally generated intangibles	
	Goodwill £ 000	Customer contracts £ 000	Trademarks £ 000	Brands £ 000	£ 000	Total £ 000
Cost or valuation						
At 1 January 2023	170,238	5,602	14,569	43,347	37,274	271,030
Acquired through business combinations	2,233	227	-	-	-	2,460
Additions	-	-	-	-	4,181	4,181
Disposals	-	-	-	-	(134)	(134)
Foreign exchange movements	(1,648)	(116)	(301)	-	(50)	(2,115)
As at 31 December 2023	170,823	5,713	14,268	43,347	41,271	275,422
Acquired through business combinations	2,116	385	-	-	-	2,501
Additions	129	-	-	-	3,463	3,592
Disposals	-	-	-	-	(239)	(239)
Foreign exchange movements	(3,492)	(245)	(638)	-	(115)	(4,490)
As at 31 December 2024	169,576	5,853	13,630	43,347	44,380	276,786
Amortisation						
At 1 January 2023	3,712	2,227	2,834	-	18,566	27,339
Amortisation charge	-	1,234	978	-	8,104	10,316
Disposals	-	-	-	-	(90)	(90)
Impairment	3,000	-	-	-	-	3,000
Foreign exchange movements	(60)	(49)	(61)	-	(23)	(193)
As at 31 December 2023	6,652	3,412	3,751	-	26,557	40,372
Amortisation charge	-	941	952	-	6,141	8,034
Disposals	-	-	-	-	(239)	(239)
Impairment	20,970	-	-	-	-	20,970
Foreign exchange movements	(743)	(164)	(188)	-	(99)	(1,194)
As at 31 December 2024	26,879	4,189	4,515	-	32,360	67,943
Carrying amount						
At 31 December 2024	142,697	1,664	9,115	43,347	12,020	208,843
At 31 December 2023	164,171	2,301	10,517	43,347	14,714	235,050

Goodwill and brands are not amortised but tested annually for impairment. The brand is considered to have an indefinite life due to the history and market position of the trade name. The Group recognised an impairment charge of £21.0m during the year (2023: £3.0m), of which all £21.0m (2023: £3.0m) related to the Group's Germany CGU.

The goodwill addition of £0.1m arises from a measurement period adjustment in relation to the acquisition of Wickwoods Country Club with a corresponding disposal of land and building costs.

On 30 August 2024, the Group purchased the entire issued share capital of Mosaic Spa and Health Club (Shrewsbury) Limited for cash consideration of £5.4m, goodwill of £2.1m and customer contracts of £0.4m were recognised on acquisition.

Deuce Midco Limited

Notes to the Financial Statements for the Year ended 31 December 2024

19 Investments

Summary of Group investments

See note 20 for other investments held by the Group as at 31 December 2024.

Summary of the Company investments

	31 December 2024 £ 000	31 December 2023 £ 000
At start of year	675,305	670,188
Additions	2,256	5,117
At end of year	677,561	675,305

A share-based payment charge of £2.3m (2023: £5.1m) was recognised in the subsidiary David Lloyd Leisure Limited during the year which has been recorded as a debit to investments and a credit in the share-based payment reserve of the Company.

Group subsidiaries and investments

Details of the Group subsidiaries and investments as at 31 December 2024 are as follows:

Name of subsidiary	Principal activity	Country of incorporation	Holding	
			2024	2023
Deuce Acquisitions Ltd*	Holding Company	England and Wales	100%	100%
Deuce FinCo Plc*	Holding Company	England and Wales	100%	100%
David Lloyd Leisure Operations Holdings Ltd	Dormant	England and Wales	100%	100%
David Lloyd Leisure Properties No.1 Ltd	Dormant	England and Wales	100%	100%
David Lloyd Leisure Properties No.2 Ltd	Property company	England and Wales	100%	100%
David Lloyd Leisure Properties No.3 Ltd	Property company	England and Wales	100%	100%
David Lloyd Leisure Properties No.4 Ltd	Property company	England and Wales	100%	100%
David Lloyd Leisure Group Ltd	Holding company	England and Wales	100%	100%
David Lloyd Leisure Ltd	Leisure clubs	England and Wales	100%	100%
David Lloyd Leisure Farnham Ltd	Leisure clubs	England and Wales	100%	100%
David Lloyd Leisure GR Ltd	Property company	England and Wales	100%	100%
Next Generation Clubs Ltd	Leisure clubs	England and Wales	100%	100%
Harbour Club Ltd	Leisure clubs	England and Wales	100%	100%
David Lloyd Clubs Ltd	Leisure clubs	England and Wales	100%	100%
David Lloyd Clubs Holdings Ltd	Holding company	England and Wales	100%	100%
David Lloyd Leisure JV Holdings Ltd	Dormant	England and Wales	100%	100%

Deuce Midco Limited

Notes to the Financial Statements for the Year ended 31 December 2024

19 Investments

Name of subsidiary	Principal activity	Country of incorporation	Holding	
			2024	2023
David Lloyd Leisure Development Sites Ltd	Dormant	England and Wales	100%	100%
Next Generation Amida Beckenham Ltd	Dormant	England and Wales	100%	100%
Next Generation Amida Hampton Ltd	Dormant	England and Wales	100%	100%
Core Exercise Clinics Ltd	Dormant	England and Wales	100%	100%
Odyssey Glory Mill Ltd	Dormant	England and Wales	100%	100%
Next Generation Amida Services Ltd	Dormant	England and Wales	100%	100%
Next Generation Amida Fleet Ltd	Dormant	England and Wales	100%	100%
Burton Waters (HL&R) Ltd	Dormant	England and Wales	100%	100%
Markson Tennis and Leisure Centres Ltd	Dormant	England and Wales	100%	100%
Castledene Leisure td	Dormant	England and Wales	100%	100%
Grasspost Ltd	Dormant	England and Wales	100%	100%
Design Collective Ltd	Dormant	England and Wales	100%	100%
Gatehouse Nursery Holdings Ltd	Dormant	England and Wales	100%	100%
Tennis Club Management International Ltd	Dormant	England and Wales	100%	100%
Farnridge Ltd	Dormant	England and Wales	100%	100%
David Lloyd Sports Centres Ltd	Dormant	England and Wales	100%	100%
Racquets and Healthtrack Group Ltd	Dormant	England and Wales	100%	100%
Brooklands Healthtrack Ltd	Dormant	England and Wales	100%	100%
Solihull Racquets & Healthtrack Ltd	Dormant	England and Wales	100%	100%
Cheshire Oaks Racquets and Healthtrack Ltd	Dormant	England and Wales	100%	100%
Ealing Racquets and Healthtrack Ltd	Dormant	England and Wales	100%	100%
Manchester Racquets and Healthtrack Ltd	Dormant	England and Wales	100%	100%
Nottingham Racquets & Healthtrack Ltd	Dormant	England and Wales	100%	100%
David Lloyd Leisure Nurseries Ltd	Dormant	England and Wales	100%	100%
David Lloyd Leisure Nominee No.1 Ltd	Dormant	England and Wales	100%	100%
David Lloyd Leisure Nominee No 2 Ltd	Dormant	England and Wales	100%	100%
Nextgen Ltd	Dormant	England and Wales	100%	100%
Newhaven Restaurant Ltd	Dormant	England and Wales	100%	100%
N.G.C. Project Management Ltd	Dormant	England and Wales	100%	100%
Smilewood Ltd	Dormant	England and Wales	100%	100%
Celsius Spa Limited	Dormant	England and Wales	100%	100%
Harbour Club Operations Ltd	Dormant	England and Wales	100%	100%
David Lloyd Leisure Nominee No 3 Ltd	Dormant	England and Wales	100%	100%
David Lloyd Leisure Nominee No 4 Ltd	Dormant	England and Wales	100%	100%

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Notes to the Financial Statements for the Year ended 31 December 2024

19 Investments (continued)

Name of subsidiary	Principal activity	Country of incorporation	Holding	
			2024	2023
DLL Greenwich Ltd	Holding Company	England and Wales	100%	100%
Country Clubs & Leisure Ltd	Leisure clubs	England and Wales	100%	100%
Country Clubs (UK) Ltd	Property company	England and Wales	100%	100%
Mosaic Spa and Health Club (Shrewsbury) Ltd	Property company	England and Wales	100%	0%
Sports Management (Scotland) Ltd	Dormant	Scotland	100%	100%
DLL Talwalkars Club Private Limited	Dormant	India	50%	50%
David Lloyd Leisure Operations SPRL	Leisure clubs	Belgium	100%	100%
David Lloyd Leisure Ter Elst BVBA	Leisure clubs	Belgium	100%	100%
David Lloyd Riverview Operations Ireland Ltd	Leisure clubs	Ireland	100%	100%
David Lloyd Riverview Holdings Ireland Ltd	Dormant	Ireland	100%	100%
David Lloyd Riverview Ltd	Dormant	Ireland	100%	100%
David Lloyd Riverview Property Ireland Ltd	Dormant	Ireland	100%	100%
David Lloyd Leisure Nederland BV	Holding company	Holland	100%	100%
David Lloyd Health & Fitness BV	Leisure clubs	Holland	100%	100%
David Lloyd Leisure Property Holdings BV	Holding company	Holland	100%	100%
David Lloyd Leisure Property BV	Property company	Holland	100%	100%
David Lloyd Clubs France SAS	Leisure clubs	France	100%	100%
LK International SARL	Restaurant	France	100%	100%
David Lloyd Clubs Deutschland GmbH	Leisure clubs	Germany	100%	100%
Meridian Spa & Fitness Deutschland GmbH	Leisure clubs	Germany	100%	100%
DLL Greenwich Holding GmbH	Holding Company	Germany	100%	100%
DLL Greenwich GmbH	Holding Company	Germany	100%	100%
Geneva Country Club SA	Leisure clubs	Switzerland	100%	100%
David Lloyd Clubs Italia SRL	Leisure clubs	Italy	100%	100%
David Lloyd Leisure Espana II	Leisure clubs	Spain	100%	100%
DLL Leisure Espana III SL	Leisure clubs	Spain	100%	100%

* indicates direct investment of the Company.

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

Deuce Midco Limited

Notes to the Financial Statements for the Year ended 31 December 2024

19 Investments (continued)

Investment	Principal activity	Country of incorporation	Holding	
			2024	2023
Bonasport SA	Leisure clubs	Spain	5%	5%

The Group received dividends of £15,078 (2023: £17,880) from Bonasport SA during the year.

The registered offices of Group companies are as follows:

Sports Management (Scotland) Limited & Newhaven Restaurant Limited: 302 St Vincent St, Glasgow, G2 5RZ

All other UK Group companies: The Hangar, Hatfield Business Park, Hatfield, Herts, AL10 9AX

All companies incorporated in Holland: Peter zuidlaan 30 5502NH, Veldhoven, Netherlands

All companies incorporated in Ireland: Beech Hill, Clonskeagh, Dublin 4, 662822

All companies incorporated in France: 740 Route des Plantets, 74140 Veigy-Foncenex, France

David Lloyd Leisure Espana II SL: Av. Diagonal 673-685 08028 Barcelona, Spain

David Lloyd Leisure Operations SPRL: 41 Drève de Lorraine, 1180 Uccle, Belgium

David Lloyd Leisure Ter Elst BVBA: Kattenbroek 3, 2650 Edegem, Belgium

David Lloyd Clubs Deutschland GmbH: c/o NHS GmbH WPG, Am Wehrhahn 100, 40211 Düsseldorf

DLL Talwalkars Club Private Limited: 801-813, Mahalaxmi Chambers, 22, Bhulabhai Desai Road, Mumbai – 400026

Meridian Spa & Fitness Deutschland GmbH: 87-89 Wandsbeker Zollstrasse, Germany

Geneva Country Club SA: Rte de Collex 47, 1293 Bellevue, Switzerland

David Lloyd Clubs Italia SRL: Stradello S. Marone, 50, 41100 Modena MO, Italy

Bonasport SA: Calle Vistabella, 11, 08022 Barcelona, Spain

On 30 August 2024, the Group acquired the entire issued share capital of Mosaic Spa and Health Club (Shrewsbury) Limited. On 31 December 2024, the trade and assets of Mosaic Spa and Health Club (Shrewsbury) Limited, excluding the freehold property, were transferred to David Lloyd Leisure Limited (see note 9).

20 Other investments

	31 December 2024 £ 000	31 December 2023 £ 000
Guarantees	3,248	4,288

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

The €1m guarantee in relation to leasehold premises in Spain was classified within 'other receivables' (note 22) as at 31 December 2024 and the cash received in March 2025.

Deuce Midco Limited

Notes to the Financial Statements for the Year ended 31 December 2024

21 Other receivables

	Group		Company	
	31 December	31 December	31 December	31 December
	2024	2023	2024	2023
	£ 000	£ 000	£ 000	£ 000
Other receivables	1,255	1,188	-	-
Amounts due from parent companies	3,107	2,989	1,063	1,027
Amounts due from subsidiaries	-	-	772,108	754,781
Total non-current other receivables	<u>4,362</u>	<u>4,177</u>	<u>773,171</u>	<u>755,808</u>

The amounts due from parent companies and amounts due from subsidiaries are repayable on demand and accrue interest of 3.5% for the year ended 31 December 2024. They are included within non-current other receivables as there is no current intention for them to be repaid despite them being due within one year.

Other receivables of £1.3m represent a probable tax asset arising on loans provided to participants.

22 Trade and other receivables

	Group	
	31 December	31 December
	2024	2023
	£ 000	£ 000
Trade receivables	20,321	19,173
Provision for impairment of trade receivables	(16,113)	(15,247)
Net trade receivables	<u>4,208</u>	<u>3,926</u>
Contract assets	1,949	2,555
Prepayments	10,536	5,864
Other receivables	<u>3,701</u>	<u>3,784</u>
Total current trade and other receivables	<u>20,394</u>	<u>16,129</u>

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

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

The impairment charge of trade and other receivables reflects the expected credit losses in accordance with IFRS 9. The increase against prior year is due to increased revenues from membership subscriptions. The charge of £15.7m (2023: £14.6m) represents 2.2% (2023: 2.4%) of membership subscription revenues.

Deuce Midco Limited

Notes to the Financial Statements for the Year ended 31 December 2024

22 Trade and other receivables (continued)

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

	31 December 2024 £ 000	31 December 2023 £ 000
Allowances at 1 January	15,247	17,483
Allowances used on fully written down receivables	(14,820)	(16,881)
Additions – charged to consolidated income statement	15,686	14,645
Allowances at 31 December	<u>16,113</u>	<u>15,247</u>

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

As of 31 December 2024, trade receivables of £1.2m (2023: £1.2m) were past due but not impaired. The ageing of these receivables is as follows:

	31 December 2024 £ 000	31 December 2023 £ 000
1 to 3 months	1,012	974
Over 3 months	185	238
	<u>1,197</u>	<u>1,212</u>

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

	31 December 2024 £ 000	31 December 2023 £ 000
UK Pounds	14,789	11,241
Euros	5,441	4,727
Swiss Francs	164	161
	<u>20,394</u>	<u>16,129</u>

Deuce Midco Limited

Notes to the Financial Statements for the Year ended 31 December 2024

23 Cash and cash equivalents

	Group		Company	
	31 December 2024 £ 000	31 December 2023 £ 000	31 December 2024 £ 000	31 December 2023 £ 000
Cash at bank and in hand	8,668	7,713	6	6

24 Trade and other payables

	Group		Company	
	31 December 2024 £ 000	31 December 2023 £ 000	31 December 2024 £ 000	31 December 2023 £ 000
Trade payables	17,611	14,343	-	1,571
Accrued expenses	66,646	64,792	26	1,847
Amounts due to Group companies	-	-	1,074,173	1,016,920
Social security and other taxes	19,316	20,273	-	-
Other payables	2,228	2,215	-	-
Contract liabilities (note 4)	44,065	43,247	-	-
	149,866	144,870	1,074,199	1,020,338

Accrued expenses includes £2.4m (2023: £2.6m) of accrued interest on loans and borrowings. Also included within accrued expenses is contingent consideration, arising on business combinations, of £23k (2023: £210k).

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

25 Loans and borrowings

	Group		Company	
	31 December 2024 £ 000	31 December 2023 £ 000	31 December 2024 £ 000	31 December 2023 £ 000
Current loans and borrowings				
Bank borrowings and loans	420	422	-	-
Non-current loans and borrowings				
Loan	897,705	909,953	-	-
Loan arrangement fees	(7,226)	(10,303)	(1,237)	(1,869)
	890,479	899,650	(1,237)	(1,869)

Deuce Midco Limited

Notes to the Financial Statements for the Year ended 31 December 2024

25 Loans and borrowings (continued)

Loan arrangement fees for the Company of £1.2m relate to the super senior revolving credit facility that was undrawn at 31 December 2024.

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

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

Non-current loans and borrowings also include loans from Spanish banks (€2.6m and €2.8m). The loans from Kratus Inversiones and Unicaja Banco were assigned to the Group on acquisition of the Accura group. Interest accrues at 5.93% and 6.03% respectively, payable monthly. The loans are paid in monthly instalments and will be fully repaid by 31 March 2043 and 31 March 2029. Capital payments for the next 12 months are classified within current loans and borrowings.

In addition, the Group has access to a £125m super senior revolving credit facility (“SSRCF”) which has a maturity date of 18 December 2026. As at 31 December 2024, £34m of the SSRCF had been converted into an overdraft facility for short-term working capital funding, while £6m was designated as a guarantee facility. In March 2025, the guarantee facility was increased to £10m, and the overdraft facility reduced by the corresponding amount, to £30m. As at 31 December 2024, both the SSRCF and the overdraft facility were undrawn.

On 30 August 2024, the Group acquired the entire issued share capital of Mosaic Spa and Health Club (Shrewsbury) Limited, which owned and operated a club in Shrewsbury. Upon completing the acquisition, the Group settled external loans of £1.8m held by the companies, which has been classified as repayment of bank and other borrowings in the consolidated statement of cashflows.

The loans and borrowings have expiry dates between 2026 and 2043 and are secured with a fixed charge against the assets of the Group. The loans and borrowings attract interest as shown in the table below:

	Loan amount	Maturity	Interest	Amount drawn
Sterling senior secured notes	£645.0m	15/06/2027	5.50%	£645.0m
Euro senior secured notes	€300.0m	15/06/2027	4.75% + EURIBOR	€300.0m
Super senior revolving credit facility	£125.0m ⁵	18/12/2026	3.25% + SONIA	£Nil
Kratus Inversiones D.A.C loan	€2.6m	31/03/2043	5.93%	€2.6m
Unicaja Banco loan	€2.8m	31/03/2029	6.03%	€2.8m

	Book value 31 December 2024 £ 000	Fair value 31 December 2024 £ 000	Book value 31 December 2023 £ 000	Fair value 31 December 2023 £ 000
Sterling senior secured notes	645,000	629,294	645,000	601,463
Euro senior secured notes	248,612	250,365	260,236	261,212
Loans – other	4,513	4,320	5,139	5,028
	<u>898,125</u>	<u>883,979</u>	<u>910,375</u>	<u>867,703</u>

⁵ This £125.0m includes the £6.0m guarantee facility, leaving £119.0m available to be drawn.

Deuce Midco Limited

Notes to the Financial Statements for the Year ended 31 December 2024

25 Loans and borrowings (continued)

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

26 Financial risk management objectives and policies

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

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

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

Market risk

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

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to interest rate risk because the Group's €300m Euro senior secured notes are subject to a variable interest rate element being EURIBOR. The Group's super senior revolving credit facility ("SSRCF") is at floating interest rates based on GBP SONIA (Sterling Overnight Index Average), however this facility is currently undrawn. There is no exposure on the £645m Sterling senior secured notes as the interest rate is fixed.

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

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

	Interest for the year ended 31 December 2024 £ 000	Impact of change in EURIBOR %			
		+50 Bps £ 000	+100 Bps £000	+200 Bps £ 000	+300 Bps £ 000
Interest on euro senior secured notes	21,707	1,291	2,573	5,137	7,701

Deuce Midco Limited

Notes to the Financial Statements for the Year ended 31 December 2024

26 Financial risk management objectives and policies (continued)

Exchange rate risk

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

Financial instruments affected by exchange rate risk include the Euro Notes. At 31 December 2024, the €300 million Euro Notes had a carrying amount of £248.6m based on an exchange rate of 1.2067.

Had the exchange rate at 31 December 2024 been 10% lower, then the Group's gain for the year on the Euro notes would have decreased by £27.6m to become a loss of £16.0m for the year.

Sensitivity analysis

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

	Sterling	Euros	Total	+10%	-10%
	£ 000	£ 000	£000	£ 000	£ 000
Assets	1,619,066	497,566	2,116,632	(45,233)	55,285
Liabilities	(1,900,527)	(528,128)	(2,428,655)	48,012	(58,681)
	<u>(281,461)</u>	<u>(30,562)</u>	<u>(312,023)</u>	<u>2,779</u>	<u>(3,396)</u>
Profit/(loss) for the financial year	73,462	(20,492)	52,970	1,863	(2,277)

Price risk

The Group is exposed to increases in the price of electricity and gas. The Group manages its exposure by purchasing its utility requirements in advance through industry leading advisers. For FY25, 82% of the UK electricity and 91% of the UK gas volumes have been purchased. For FY26, 6% of the UK electricity and 18% of the UK gas volumes have been purchased. Unused utility volumes are sold back to the market with the Group liable for any losses due to lower pricing. Our electricity supply contract ends December 2027, and our gas contract ends September 2026.

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

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

The Group's UK employees are subject to the Working Time Regulations which controls the hours they are legally allowed to work. In addition, on 1 April 2024 the National Living Wage increased to £11.44 for those aged 21 and over and increased to £12.21 effective from 1 April 2025. The Group introduced a minimum hourly rate above the national minimum wage and national living wage. From 1 April 2024, our minimum wage increased to £11.54 for all hourly paid employees regardless of age (excluding apprentices). From 1 April 2025, our minimum wage increased to £12.31 for all hourly paid employees. This minimises the Group's exposure to further increases in the national living wage.

Deuce Midco Limited

Notes to the Financial Statements for the Year ended 31 December 2024

26 Financial risk management objectives and policies (continued)

Liquidity risk

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

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

Maturity analysis

The following table sets out the contractual undiscounted maturities including cashflows of the financial assets and liabilities of the Group as at 31 December 2024:

Financial assets

	Weighted average effective interest rate	Less than 1 year £ 000	2 to 5 years £ 000	Over 5 years £ 000	Total £ 000
31 December 2024					
Other investments	0%	-	-	3,248	3,248
Other receivables	0%	-	1,255	3,107	4,362
Trade and other receivables	0%	20,394	-	-	20,394
Cash and cash equivalents	0%	8,668	-	-	8,668
		<u>29,062</u>	<u>1,255</u>	<u>6,355</u>	<u>36,672</u>

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

Deuce Midco Limited

Notes to the Financial Statements for the Year ended 31 December 2024

26 Financial risk management objectives and policies (continued)

Maturity analysis (continued)

Financial liabilities:

	Weighted average effective interest rate	Less than 1 year £ 000	2 to 5 years £ 000	Over 5 years £ 000	Total £ 000
31 December 2024					
Loans and borrowings	6.1%	55,134	976,156	2,597	1,033,887
Trade and other payables	0%	39,155	-	-	39,155
Lease liabilities*	6.5%	100,893	391,591	3,696,519	4,189,003
Contingent consideration in business combination	7.1%	23	-	-	23
		<u>195,205</u>	<u>1,367,747</u>	<u>3,699,116</u>	<u>5,262,068</u>
	Weighted average effective interest rate	Less than 1 year £ 000	2 to 5 years £ 000	Over 5 years £ 000	Total £ 000
31 December 2023					
Loans and borrowings	6.4%	59,058	1,051,601	3,604	1,114,263
Trade and other payables	0%	36,831	-	-	36,831
Lease liabilities*	6.5%	91,235	382,375	3,555,614	4,029,224
Contingent consideration in business combination	7.1%	192	18	-	210
		<u>187,316</u>	<u>1,433,994</u>	<u>3,559,218</u>	<u>5,180,528</u>

Trade and other payables includes: trade payables, social security and other taxes, and other payables as disclosed in note 24.

*Further disaggregation of lease liabilities over 5 years is shown in note 17.

Credit risk

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

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

Capital risk

Capital risk arises from the management of the capital structure, which consists mainly of the loans and borrowings detailed in note 25 and shareholder equity. The capital structure should be managed to ensure the Group can remain a going concern, and to maximise shareholder funds. Detailed cash flow forecasts based on expected working capital requirements and expected capital projects are maintained throughout the year to ensure that the Group has sufficient funds to operate as a going concern using the available facilities.

Deuce Midco Limited

Notes to the Financial Statements for the Year ended 31 December 2024

26 Financial risk management objectives and policies (continued)

Financial instruments not measured at fair value

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

Fair value measurement

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

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

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

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

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

27 Share-based payments

Scheme details and movements

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

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

	31 December 2024		31 December 2023	
	Weighted average exercise price	No. of shares	Weighted average exercise price	No. of shares
	£		£	
Outstanding at start of year	6.47	2,087,866	6.46	2,108,966
Forfeited during the year	5.45	(46,600)	5.99	(21,100)
Outstanding at end of year	6.49	<u>2,041,266</u>	6.47	<u>2,087,866</u>
Exercisable at the end of the year		2,041,266		2,087,866

Deuce Midco Limited

Notes to the Financial Statements for the Year ended 31 December 2024

27 Share-based payments (continued)

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

On 19 January 2024, Deuce Holdco bought back and cancelled 15,950 E1 shares with a nominal value of £1 each, and 15,950 E2 shares with a nominal value of £0.01 each, for nil consideration. Subsequently, on 24 December 2024, a further 7,350 E1 shares and 7,350 E2 shares were bought back and cancelled, for nil consideration. The cancellation of shares has been recognised as a credit to the capital redemption reserve of Deuce Holdco Limited.

The expense recognised in employee expenses during the year is £2.3m (2023: £5.1m). This has decreased on prior year due to an extension of the vesting period based on management's best estimate of the expected exit date.

28 Provisions

Group

	Legal claims	Senior Management Incentive Plan	Restructuring	Dilapidations	Total
	£ 000	£ 000	£ 000	£ 000	£ 000
At 1 January 2023	7,500	160	-	508	8,168
New provisions created	-	150	-	1,250	1,400
Utilisation of provision	(2,809)	-	-	(30)	(2,839)
Release of provision	(4,691)	-	-	-	(4,691)
Unwinding of discount	-	-	-	16	16
Exchange differences	-	-	-	(27)	(27)
At 31 December 2023	-	310	-	1,717	2,027
New provisions created	-	-	1,203	1,297	2,500
Utilisation of provision	-	-	(950)	-	(950)
Release of provision	-	(17)	-	(109)	(126)
Unwinding of discount	-	-	-	5	5
Exchange differences	-	-	-	(8)	(8)
At 31 December 2024	-	293	253	2,902	3,448

	31 December 2024 £ 000	31 December 2023 £ 000
Current provisions	2,005	467
Non-current provisions	1,443	1,560
Total provisions	3,448	2,027

a) 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.

Deuce Midco Limited

Notes to the Financial Statements for the Year ended 31 December 2024

28 Provisions (continued)

b) Restructuring

The restructuring provision reflects the estimated redundancy costs arising from the planned restructuring of a department as well as costs associated with the closure of the Utrecht club.

c) Dilapidations provisions

Dilapidation provisions relate to estimated dilapidation costs for the Maidstone, Kiel and Kembrey Park clubs. The new provision created in the year was in relation to estimated dilapidation costs for Maidstone. The dilapidation costs for Maidstone and Kiel are due to be settled during 2025.

29 Deferred tax

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes. These deferred tax assets and liabilities are not offset because these balances do not unwind on the same basis.

Deferred tax liabilities

	Land and buildings £ 000	Fixtures and fittings £ 000	IFRS 16: Leases £ 000	Brand £ 000	Leasehold intangible £ 000	Total £ 000
At 1 January 2023	67,398	-	141,287	14,614	11,419	234,718
Acquired through business combinations	-	-	-	-	953	953
(Credit)/charge to income statement	(2,282)	-	(5,625)	323	(4,328)	(11,912)
Foreign exchange movements	-	-	(108)	-	-	(108)
As at 31 December 2023	65,116	-	135,554	14,937	8,044	223,651
Acquired through acquisitions of subsidiaries	-	(1,010)	-	-	-	(1,010)
Transferred to deferred tax assets	-	1,010	-	-	-	1,010
Charge/(credit) to income statement	588	-	(10,354)	(726)	(768)	(11,260)
Foreign exchange movements	-	-	(218)	-	-	(218)
As at 31 December 2024	65,704	-	124,982	14,211	7,276	212,173

Deuce Midco Limited

Notes to the Financial Statements for the Year ended 31 December 2024

29 Deferred tax (continued)

Deferred tax assets

	Fixtures and fittings £ 000	Losses £ 000	IFRS 16: Leases £ 000	Other £ 000	Total £ 000
At 1 January 2023	38,796	9,704	80,223	45,934	174,657
Credit/(charge) to income statement	2,622	20,398	(6,142)	(8,164)	8,714
Foreign exchange movements	(37)	-	(302)	-	(339)
As at 31 December 2023	41,381	30,102	73,779	37,770	183,032
Acquired through business combinations	(1,010)	-	-	-	(1,010)
(Charge)/credit to income statement	(19,833)	(295)	(9,306)	5,200	(24,234)
Foreign exchange movements	(57)	-	(630)	-	(687)
As at 31 December 2024	20,481	29,807	63,843	42,970	157,101

In addition to the recognised deferred tax assets and liabilities above, the Group has unrecognised deferred tax assets of £2.3m (2023: £2.3m) in respect of the UK property portfolio, and unrecognised deferred tax assets of £25.8m (2023: £27.9m) in relation to carried forward losses where it is not sufficiently probable they will be utilised against future profits.

30 Share capital and equity reserves

Allotted, called up and fully paid shares

	31 December 2024		31 December 2023	
	No. 000	£ 000	No. 000	£ 000
Ordinary shares of £1 each	425,798	425,798	425,798	425,798

Share premium

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

Capital contribution reserve

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

Merger reserve

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

Foreign currency translation reserve

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

Deuce Midco Limited

Notes to the Financial Statements for the Year ended 31 December 2024

30 Share capital and equity reserves (continued)

Share based payment reserve

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

Other reserves

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

Accumulated losses

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

31 Commitments

Group

Capital commitments

The Group had committed to providing significant refurbishment at existing sites in Notting Hill, Speke, Wickwoods, Capelle, Amsterdam, Oxford, Luton, Gloucester, Serrano, Modena and Dartford. At the statement of financial position date, the amount contracted for but not provided in the financial statements was £22.0m (2023: £12.5m).

The Group has committed to building new clubs in Boadilla, Harlow and Herne Bay. At the statement of financial position date, the amount contracted for but not provided in the financial statements was £31.0m (Dec-23: £25.1m).

32 Post balance sheet events

On 7 January 2025, the Group entered into a lease for a new club in Colliers Wood, London.

On 9 January 2025, the Group exchanged contracts to acquire land in Tunbridge Wells, Kent subject to planning.

On 29 January 2025, the Group exchanged contracts to acquire land in Bishops Cleeve, Gloucestershire subject to planning.

On 2 December 2024, the Group entered into an agreement to terminate the lease for its club in Utrecht, effective 31 January 2025. On this date, a termination payment of £3.8m (€4.5m) was paid to the landlord, and the Utrecht club closed.

On 21 February 2025, the Group completed the purchase of land in Harlow, Essex and work commenced to develop a club on the site.

On 18 March 2025, the Group opened a new club in Boadilla, Madrid.

On 27 March 2025, the Group entered into an agreement to lease a new site in Seville, Spain.

33 Contingent liabilities

In 2022, a tragic fatal accident occurred at the David Lloyd Luton Club. At present, there is insufficient information to determine whether a present obligation exists that would result in an outflow of resources embodying economic benefits.

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Notes to the Financial Statements for the Year ended 31 December 2024

34 Related party transactions

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activity of the Group, including the Directors and senior management of the Group listed on pages 41 to 43.

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

	31 December 2024 £ 000	31 December 2023 £ 000
Short-term employee benefits	7,327	4,785
Post-employment benefits	66	66
Compensation for loss of office	303	158
	<u>7,696</u>	<u>5,009</u>

Summary of transactions with other related parties

Since 1 November 2013, TDR (employees of which sit on the Board) has provided managerial advice to the Group, for which a fee is due annually. From 2024, only expenses incurred are now recharged to the Group. For the year ended 31 December 2024, £59,939 (2023: £2,000,000) was charged, of which £332 (2023: £1,000,000) remains unpaid as at the statement of financial position date.

35 Parent and ultimate parent undertaking

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

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

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