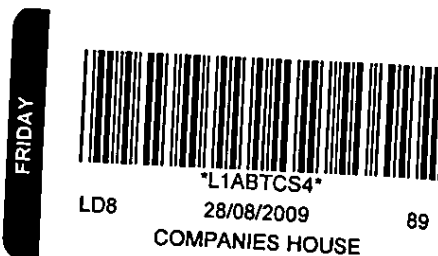


**Registered number**  
**06589946**

**David Lloyd Leisure Property Holdings No.3 Limited**

**Annual report and financial statements**

**for the period from 12 May 2008 to 4 January 2009**



**David Lloyd Leisure Property Holdings No.3 Limited**  
**Annual report and financial statements**  
**for the period from 12 May 2008 to 4 January 2009**

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**David Lloyd Leisure Property Holdings No.3 Limited  
for the period from 12 May 2008 to 4 January 2009  
Officers and professional advisers**

**Directors**

Mr C King (Appointed 12 May 2008; resigned 21 August 2009)  
Mr R N Luck (Appointed 12 May 2008)  
Mr T Meanock (Appointed 9 December 2008)  
Mr A J Powell (Appointed 16 July 2008)  
Mr S Nicholson (Appointed 16 July 2008; resigned 9 December 2008)

**Company secretary**

Mr I M B Harris (Appointed 12 May 2008)

**Registered office**

Quadrant House, Floor 6  
17 Thomas More Street  
Thomas More Square  
London  
E1W 1YW

**Independent auditors**

Deloitte LLP  
Chartered Accountants and Registered Auditors  
London

**Registered number**

06589946

**Bankers**

Bank of Scotland plc  
London Chief Office  
PO Box 54873, London  
SW1Y 5WX

**David Lloyd Leisure Property Holdings No.3 Limited**  
**Directors' report for the period from 12 May 2008 to 4 January 2009**

The directors present their report on the affairs of the Group together with the financial statements and auditors' report for the period beginning 12 May 2008 and ended 4 January 2009.

**Principal activities**

The company was incorporated on 12 May 2008 and acts as a holding company. The principal activity of the group during the year was investment in a portfolio of health club properties.

**Review of the business and future developments**

The consolidated profit and loss account page 6 shows turnover for the year of £2.4 million and a loss after taxation of £0.9 million.

The group was effectively dormant until October 2008, when it acquired a portfolio of health club properties from the David Lloyd Leisure group ("DLL"). This transaction was financed by a loan of £145 million from Bank of Scotland plc and the issue of loan notes to London & Regional Properties Limited, Bank of Scotland plc and DLL management.

Despite the loss for the period, the directors are satisfied with the performance for the period at both a turnover and group operating profit level. The results are in line with the financial projections made at the time of the acquisition.

**Results and dividends**

The results for the period are set out in the consolidated profit and loss account on page 6. No dividends were paid by the company in the period.

**Key Performance Indicators**

The directors monitor the performance of the group by reference to the following key performance indicators:

- average cost of borrowing - the weighted average of interest rates payable on borrowings;
- gearing - the ratio of borrowings to the book value of properties owned during the period; and
- rental yield - rental income expressed as a percentage of the book value of properties owned during the period. The directors compare the rental yield to the average cost of borrowing.

**Going concern**

The financial position of the Group, its cash flows, liquidity position and borrowing facilities are shown in the financial statements, including Notes 10, 11 and 12. The Group's objectives; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk are described below.

The Group has secured bank financing until 2014 and shareholder loans maturing in 2017. The Group's forecasts and projections, taking account of the substantially contractually fixed cash flows, show that the Group should be able to operate within the level of its current facilities. Although the company continues to meet its day-to-day liabilities including servicing its debt as required by loan agreements, current economic conditions create uncertainties, including a risk of deterioration in property values after the balance sheet date, which could affect the company's ability to comply with certain bank loan covenants in the future and which could therefore cause the bank loans to become repayable on demand. Therefore, given the above, there is a material uncertainty which may cast significant doubt as to the company's ability to continue as a going concern and therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include any adjustments that would be required in the event that the company ceased to be a going concern.

After making enquiries, the directors have a reasonable expectation that these risks could be managed in light of the changed market environment, and that the company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

**Financial risk management objectives and policies**

The Group's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The use of financial derivatives is approved by the board of directors. The Group does not use derivative financial instruments for speculative purposes.

**David Lloyd Leisure Property Holdings No.3 Limited**  
**Directors' report for the period from 12 May 2008 to 4 January 2009**

**Cash flow risk**

The Group's activities expose it primarily to the financial risks of changes in interest rates. The Group uses interest rate swap contracts to hedge these exposures. Interest bearing assets and liabilities are held at fixed rates to ensure certainty of cash flows.

**Credit risk**

The Group's principal financial assets are trade and other receivables.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the receivables.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group has a significant concentration of credit risk, with exposure on one large customer. This is mitigated by the fact that the customer has entered into fixed long-term rental agreements. The customer pays monthly in advance.

**Liquidity risk**

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of long-term debt finance.

**Directors**

The directors of the company who served throughout the period, except as noted, were as follows:

Mr C King (Appointed 12 May 2008; resigned 21 August 2009)  
Mr R N Luck (Appointed 12 May 2008)  
Mr T Meanock (Appointed 9 December 2008)  
Mr A J Powell (Appointed 16 July 2008)  
Mr S Nicholson (Appointed 16 July 2008; resigned 9 December 2008)

**Qualifying third party indemnity provisions**

The company maintains liability insurance for its directors and officer. Following shareholder approval, the company has also provided an indemnity for its directors and the company secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 1985.

**Auditors**

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

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

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Deloitte LLP were appointed by the company during the period. They have expressed their willingness to continue in office as auditors under the provision that a resolution to appoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board and signed on its behalf by:



Mr R N Luck  
Director  
27 August 2009

**David Lloyd Leisure Property Holdings No.3 Limited**  
**Statement of directors' responsibilities**  
**for the period from 12 May 2008 to 4 January 2009**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period.

In preparing these financial statements, the directors are required to:

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

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board



Mr R N Luck

**Director**

27 August 2009

**Independent auditors' report  
to the members of David Lloyd Leisure Property Holdings No.3 Limited**

We have audited the financial statements of David Lloyd Leisure Property Holdings No.3 Limited for the period ended 4 January 2009 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated and Company Balance Sheet, the Consolidated Cash Flow Statement and the related notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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.

**Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Report.

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's affairs as at 4 January 2009 and of its loss for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

**Emphasis of matter – Going concern**

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 1 to the financial statements and in the Director's report concerning the risk of deterioration in property values which could affect the company's ability to comply with certain bank loan covenants in the future. This condition indicates the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

*Deloitte LLP*

Deloitte LLP  
Chartered Accountants and Registered Auditors  
London, United Kingdom

23 August 2009

**David Lloyd Leisure Property Holdings No.3 Limited**  
**Consolidated profit and loss account**  
**for the period from 12 May 2008 to 4 January 2009**

	Notes	2009 £
<b>Group turnover</b>	1,2	2,386,115
Administrative expenses		(9,250)
<b>Group operating profit</b>		2,376,865
Income from investments		250
Interest payable and similar charges	5	(3,325,245)
<b>Loss on ordinary activities before taxation</b>		(948,130)
Tax on loss on ordinary activities	1,6	-
<b>Loss on ordinary activities after taxation</b>		(948,130)
<b>Loss for the period</b>	15	<u>(948,130)</u>

The Group's results all relate to continuing operations.

There is no material difference between the loss on ordinary activities before taxation and the loss stated above and their historical costs equivalents.



**David Lloyd Leisure Property Holdings No.3 Limited**  
**Consolidated statement of total recognised gains and losses**  
**for the period from 12 May 2008 to 4 January 2009**

	Note	2009 £
Loss for the period		(948,130)
Unrealised deficit on revaluation of investment properties	14	(8,782,669)
Total recognised gains and losses related to the period		<u>(9,730,799)</u>

**David Lloyd Leisure Property Holdings No.3 Limited**  
**Consolidated balance sheet**  
**At 4 January 2009**

	Notes	2009 £
<b>Fixed assets</b>		
Investment properties	7	159,640,542
<b>Current assets</b>		
Debtors	9	2,286,433
<b>Creditors: amounts falling due within one year</b>	10	(4,416,749)
<b>Net current liabilities</b>		(2,130,316)
<b>Total assets less current liabilities</b>		157,510,226
<b>Creditors: amounts falling due after more than one year</b>	11	(167,040,234)
<b>Net liabilities</b>		<u>(9,530,008)</u>
<b>Capital and reserves</b>		
Called up share capital	13	200,791
Revaluation reserve	14	(8,782,669)
Profit and loss account	15	(948,130)
<b>Total shareholders' deficit:</b>	16	<u>(9,530,008)</u>

These financial statements were approved by the Board of Directors and authorised for issue on ~~27~~ August 2009. They were signed on its behalf by:

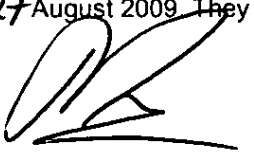
Mr T Meanock  
 Director

~~27~~ August 2009

**David Lloyd Leisure Property Holdings No.3 Limited**  
**Company balance sheet**  
**At 4 January 2009**

	Notes	2009 £
<b>Fixed assets</b>		
Investments	8	1
<b>Non-current assets</b>		
Debtors	9	170,412,865
<b>Creditors: amounts falling due within one year</b>	10	(3,967,411)
<b>Net current liabilities</b>		(3,967,411)
<b>Total assets less current liabilities</b>		166,445,455
<b>Creditors: amounts falling due after more than one year</b>	11	(167,040,234)
<b>Net liabilities</b>		<u>(594,779)</u>
<b>Capital and reserves</b>		
Called up share capital	13	200,791
Profit and loss account	15	(795,570)
<b>Total shareholders' deficit:</b>	16	<u>(594,779)</u>

These financial statements were approved by the Board of Directors and authorised for issue on ~~27~~ August 2009. They were signed on its behalf by:



Mr T Meanock  
**Director**  
~~27~~ August 2009

**David Lloyd Leisure Property Holdings No.3 Limited**  
**Consolidated cash flow statement**  
**for the period from 12 May 2008 to 4 January 2009**

	Notes	2009 £
Net cash outflow from operating activities	18	(250)
Returns on investments and servicing of finance	19	250
Acquisitions and disposals	19	(168,423,211)
Cash outflow before financing		<u>(168,423,211)</u>
Financing	19	168,423,211
Increase in cash		<u>-</u>
<b>Reconciliation of net cash flow to movement in net debt</b>		
Increase in cash in the period		-
(Increase) in debt		(168,861,678)
Change in net debt	20	(168,861,678)
Net debt at 12 May 2008		-
Net debt at 4 January 2009		<u>(168,861,678)</u>

**David Lloyd Leisure Property Holdings No.3 Limited**  
**Notes to the financial statements**  
**for the period from 12 May 2008 to 4 January 2009**

**1 Accounting policies**

The principal accounting policies, which have been applied consistently throughout the period, are set out below:

**Basis of accounting**

The financial statements have been prepared under the historical cost convention modified to include the revaluation of certain fixed assets and on a going concern basis in accordance with applicable United Kingdom law and accounting standards. The assumptions and uncertainties in respect of the going concern basis are discussed in more detail in the Directors' Report.

**Basis of consolidation**

The Group financial statements consolidate financial statements of the company and its subsidiary. The accounting reference date of the subsidiary is 4 January. The results of the subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

As permitted by section 230 of the Companies Act 1985, the profit and loss account of the company is not presented in these accounts. The loss for the period attributable to the shareholders of the company was £795,570.

**Depreciation**

Compliance with Statement of Standard Accounting Practice 19 (SSAP 19) "Accounting for Investment Properties" requires departure from the requirements of the Companies Act 1985 relating to depreciation and an explanation for the departure is given below.

**Investment properties**

In accordance with SSAP 19, investment properties are revalued by the directors annually on an open market basis and independently valued when required by SSAP 19. Temporary changes in the market value of investment properties are taken to the statement of total recognised gains and losses and transferred to the revaluation reserve. Permanent changes in market value, which are in excess of any previously recognised surplus over costs relating to the same property (or the reversal of such a deficit) are charged (or credited) in the profit and loss account of the period. No depreciation is provided in respect of investment properties. The Companies Act 1985 requires all properties to be depreciated. However, this requirement conflicts with SSAP 19 and the directors consider that to depreciate would not give a true and fair view.

The depreciation (which would, had the provisions of the Act been followed, have increased the loss for the year) is only one of the factors reflected in the valuation and the amount attributable to this factor cannot reasonably be separately identified or quantified.

**Investments**

Fixed asset investments are stated at cost less provisions for any impairment.

**Taxation**

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in respect of all timing differences that have originated, but not reversed, at the balance sheet date that give rise to an obligation to pay more or less tax in the future. Deferred tax is not recognised when fixed assets are revalued unless, by the balance sheet date, there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Deferred tax is measured on a non-discounted basis.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**Turnover**

Turnover represents rental income, net of value added tax, which is recognised over the term of the lease on a straight-line basis, allowing for inflationary increases. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

**David Lloyd Leisure Property Holdings No.3 Limited**  
**Notes to the financial statements**  
**for the period from 12 May 2008 to 4 January 2009**

**1 Accounting policies (cont.)**

**Interest rate swaps**

The Group uses derivative financial instruments to reduce exposure to interest rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes.

For an interest rate swap to be treated as a hedge it must be related to actual assets or liabilities or a probable commitment and must change the nature of the interest rate by converting a variable rate to a fixed rate or vice versa. Interest differentials under these swaps are recognised by adjusting interest payable over the periods of the contracts.

If an instrument ceases to be a hedge, for example because the underlying hedged position is eliminated, the instrument is marked to market and any resulting profit or loss recognised at that time.

**Bank borrowings**

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs are accounted for on an accruals basis in the profit or loss account using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

**2 Turnover**

The total turnover of the group for the period has been derived from its principal activity, wholly undertaken in the UK.

All turnover is derived from the David Lloyd Leisure Limited group, which is a related party by virtue of having controlling shareholders in common with the company.

**3 Operating profit**

**2009**

**£**

This is stated after charging:

Loss on sale of subsidiary undertakings

250

Auditors' remuneration

5,000

Tax services provided by the company's auditors

4,000

Analysis of auditors' remuneration:

Fees payable to the company's auditors for the audit of the company's annual accounts

2,500

Fees payable to the company's auditors for the audit of the company's subsidiaries

2,500

Total audit fees

5,000

**4 Directors' emoluments**

The directors did not receive any emoluments in respect of their services to the company. The company has no employees other than the directors.

**5 Interest payable and similar charges**

**2009**

**£**

Bank loans

2,108,311

Shareholder loan notes

672,415

Loan notes from related parties

544,519

3,325,245

**David Lloyd Leisure Property Holdings No.3 Limited**  
**Notes to the financial statements**  
**for the period from 12 May 2008 to 4 January 2009**

**6 Tax on loss on ordinary activities**

No tax has been provided for due to the taxable losses of the group.

**Factors affecting the tax charge for the period:**

All trading occurred after the corporation tax rate reduced from 30% to 28% on 1 April 2008.

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 28%. The differences are explained below:

	2009 £
Loss on ordinary activities before taxation	(948,130)
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28%	(265,476)
<b>Effects of:</b>	
Expenses not deductible for tax purposes	188,276
Carry forward of tax losses to future periods	77,200
<b>Total current tax charge</b>	<b>-</b>

**Factors that may affect future tax charges**

No provision has been made for the tax that would arise on the disposal of properties at their book value. The directors have no intention of selling the properties, and therefore, at present, it is not envisaged that any tax will become payable in the foreseeable future. The directors consider that it is too onerous to provide an estimate of the tax that would be payable if the properties were sold at the values shown. Such a tax estimate is not considered meaningful as properties are often divested through the sale of companies.

No deferred tax asset has been recognised in the accounts in respect of taxation losses as there is no certainty as to when the group will make sufficient taxable profits to utilise the taxation losses. The group has an unrecognised deferred tax asset of £77,200 based on a UK corporation tax rate of 28% in this respect.

**7 Investment properties**

Group	Freehold Properties £	Long Leasehold Properties £	Total £
<b>Valuation and cost</b>			
At 12 May 2008	-	-	-
Additions	72,639,803	95,783,408	168,423,211
Unrealised deficit on revaluation of investment properties	(4,783,427)	(3,999,242)	(8,782,669)
At 4 January 2009	67,856,376	91,784,166	159,640,542

The investment properties were purchased in October 2008, based on an open market valuation by an external firm of chartered surveyors in June 2008.

The investment properties were revalued on an open market valuation basis as at 4 January 2009 by the directors with the advice of independent valuers.

**8 Investments**

The parent has an investment in the following subsidiary undertaking which principally affects the profits and net assets of the group.

Company	Investments in subsidiary undertakings £
<b>Cost and net book value</b>	
Additions	50,001
Disposals	(50,000)
At 4 January 2009	1

Company	Country of incorporation or principal business address	Principal activity	% Holding
David Lloyd Leisure Properties No.3 Limited	United Kingdom	Property investment	100

The company acquired 100% of the shares of David Lloyd Leisure Group Limited in October 2008 for cash consideration of £50,000. This subsidiary was sold to an entity under common control for £50,000 in October 2008.

**David Lloyd Leisure Property Holdings No.3 Limited**  
**Notes to the financial statements**  
**for the period from 12 May 2008 to 4 January 2009**

**9 Debtors**

**Group**  
**2009**  
**£**

Other debtors	2,286,433
---------------	-----------

Other debtors include £2,233,196 due from an entity under common control and £53,237 due from a related party.

**Company**  
**2009**  
**£**

Amounts owed by subsidiary undertaking	170,412,865
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The amounts owed by the subsidiary undertaking are due after more than one year, bear interest at a rate of 2.06% over 25 year sterling LIBOR, and are secured over the properties of the subsidiary undertaking.

**10 Creditors: amounts falling due within one year**

**Group**  
**2009**  
**£**

Bank loans and overdrafts (note 12)	1,821,444
Amounts owed to related parties	12,856
Other taxes and social security costs	310,331
Accruals and deferred income	2,272,118
	4,416,749

The bank loans are secured by fixed charges over the investment properties.

**Company**  
**2009**  
**£**

Bank loans and overdrafts (note 12)	1,821,444
Accruals and deferred income	2,145,967
	3,967,411

**11 Creditors: amounts falling due after one year**

**Group**  
**2009**  
**£**

Bank loans (note 12)	143,531,480
Loan notes (note 12)	23,508,754
	167,040,234

The bank loans and loan notes are secured by fixed charges over the investment properties.

**Company**  
**2009**  
**£**

Bank loans (note 12)	143,531,480
Loan notes (note 12)	23,508,754
	167,040,234



**David Lloyd Leisure Property Holdings No.3 Limited**  
**Notes to the financial statements**  
**for the period from 12 May 2008 to 4 January 2009**

**12 Loans**

	<b>Group</b>
	<b>2009</b>
	<b>£</b>
Bank loans and overdrafts	145,352,924
Loan notes	<u>23,508,754</u>
	<b>168,861,678</b>
Analysis of maturity of debt:	
Within one year or on demand	1,821,444
Between one and two years	1,874,700
Between two and five years	7,854,800
After five years	<u>157,310,734</u>
	<b>168,861,678</b>

The bank loans are secured by fixed charges over the investment properties and have terms expiring in 2014. The bank loans are repayable by instalments from surplus rental income and by bullets on fixed repayment dates. The bank loans bear interest at LIBOR plus a margin and the interest rate is effectively fixed at a blended rate of 8.43% through hedging.

The shareholder loan note facility matures in 2017, with interest being charged at a rate of 12% per annum cumulative.

**13 Share capital**

	<b>Group and Company</b>
	<b>2009</b>
	<b>£</b>
Authorised:	
10,050,000 ordinary shares of £0.20 each	<u>2,010,000</u>
	<b>2009</b>
	<b>No</b>
	<b>£</b>
Allotted, called up and fully paid:	
Ordinary shares of £0.20 each	<u>1,003,954</u>
	<u>200,791</u>
<b>Movement in share capital</b>	<b>2009</b>
	<b>£</b>
At 12 May 2008	-
Shares issued during the current year	<u>200,791</u>
At 4 January 2009	<u>200,791</u>

During the period the company allotted and issued 550,000 Ordinary A-class shares at £0.2 each, 450,000 Ordinary B-class shares at £0.20 each and 3,954 Ordinary C-class shares at £0.20 each in connection with the incorporation of the company.

The A, B and C shares rank pari passu in all material respects.

**14 Revaluation reserve**

	<b>Group</b>
	<b>2009</b>
	<b>£</b>
At 12 May 2008	-
Unrealised deficit on revaluation of investment properties	<u>(8,782,669)</u>
At 4 January 2009	<u>(8,782,669)</u>

**15 Profit and loss account**

	<b>Group</b>
	<b>2009</b>
	<b>£</b>
At 12 May 2008	-
Loss for the period	<u>(948,130)</u>
At 4 January 2009	<u>(948,130)</u>
	<b>Company</b>
	<b>2009</b>
	<b>£</b>
At 12 May 2008	-
Loss for the period	<u>(795,570)</u>
At 4 January 2009	<u>(795,570)</u>

**David Lloyd Leisure Property Holdings No.3 Limited**  
**Notes to the financial statements**  
**for the period from 12 May 2008 to 4 January 2009**

**16 Reconciliation of movement in shareholders' deficit**

	<b>Group</b>
	<b>2009</b>
	<b>£</b>
At 12 May 2008	-
New shares issued	200,791
Loss for the period	(948,130)
Unrealised deficit on revaluation of investment properties	(8,782,669)
At 4 January 2009	<u>(9,530,008)</u>

	<b>Company</b>
	<b>2009</b>
	<b>£</b>
At 12 May 2008	-
New shares issued	200,791
Loss for the period	(795,570)
At 4 January 2009	<u>(594,779)</u>

**17 Derivatives and other financial instruments**

The group holds derivatives which are not included in the accounts at fair value.

	<b>Group</b>
	<b>2009</b>
	<b>£</b>
Fair value of interest rate swap liability (note 12)	<u>(46,283,849)</u>

The fair value is based on a discounted cash flow model using relevant market information.

The group uses the derivatives to hedge its exposure to interest rate movements on its bank borrowings.

The interest rate swap replaces the LIBOR rate on the group's secured floating rate bank borrowings with a fixed rate of 5.474%. The swap matures on 4 July 2033.

**18 Reconciliation of operating profit to net cash inflow from operating activities**

	<b>2009</b>
	<b>£</b>
Group operating profit	2,376,865
(Increase) in debtors	(2,830,952)
Increase in creditors	453,837
Net cash outflow from operating activities	<u>(250)</u>

**19 Analysis of cash flows**

	<b>Group</b>
	<b>2009</b>
	<b>£</b>
<b>Returns on investments and servicing of finance</b>	
Dividends received	<u>250</u>
<b>Acquisitions and disposals</b>	
Payments to acquire tangible fixed assets	(168,423,211)
Payments to acquire investments	(50,000)
Proceeds on sale of subsidiary	50,000
	<u>(168,423,211)</u>
<b>Financing</b>	
Issue of share capital	200,791
Movement in loans	168,222,420
	<u>168,423,211</u>

**20 Analysis and reconciliation of net debt**

	<b>At 12 May 2008</b>	<b>Cashflow</b>	<b>Accrued interest payable</b>	<b>At 4 Jan 2009</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Debt due within 1 year	-	(1,821,444)	-	(1,821,444)
Debt due after 1 year	-	(166,400,976)	(639,258)	(167,040,234)
		<u>(168,222,420)</u>		
Total	-	<u>(168,222,420)</u>	<u>(639,258)</u>	<u>(168,861,678)</u>

**David Lloyd Leisure Property Holdings No.3 Limited**  
**Notes to the financial statements**  
**for the period from 12 May 2008 to 4 January 2009**

**21 Related party transactions**

The company has taken advantage of the exemption in FRS8 that transactions do not need to be disclosed with companies 90% or more of whose voting rights are controlled within the group.

The loan of £145,352,924 is made from the Bank of Scotland plc. Bank of Scotland plc owns Uberior Integrated Ltd and Uberior ISAF CIP Nominee Ltd, which hold 45% of the issued share capital of the company.

The £23,508,274 of loan notes were provided principally by Uberior Integrated Ltd and London & Regional Properties Ltd (a fellow group company of London & Regional Group Investments Ltd).

Interest on the loan notes has been accrued to a total value of £672,415 which is split as follows: £368,369 payable to London & Regional Properties Ltd, £301,393 payable to Bank of Scotland plc, and £2,653 payable to the management team.

All of the group's rental income is received from David Lloyd Leisure Limited, as explained in note 2, and balances with this related party are shown in the relevant notes.

Debtors includes £2,233,196 due from David Leisure Property Holdings No.1 Limited, a company under common control.

**22 Parent undertaking**

The group does not consider there to be an ultimate controlling party. On 28 November 2008, as part of a restructuring of the London & Regional Group, London & Regional Investment Holdings Limited transferred its significant interest in the company to London & Regional Group Investment Holdings Limited. The other significant shareholder is Uberior Integrated Limited.