

Registered number
6589946

David Lloyd Leisure Property Holdings No.3 Limited
Annual report and financial statements
for the year ended 4 January 2012

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David Lloyd Leisure Property Holdings No.3 Limited
Annual report and financial statements for the year ended 4 January 2012
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David Lloyd Leisure Property Holdings No.3 Limited
for the year ended 4 January 2012
Officers and professional advisers

Directors

Mr R N Luck
Mr T Meanock
Mr A J Powell
Mr R J Livingstone

Secretary

Mr I M B Harris

Auditors

Deloitte LLP
Chartered Accountants and Statutory Auditors
London

Registered office

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

Registered number

6589946

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 year ended 4 January 2012

The directors present their report on the affairs of the company, together with the financial statements and auditors' report for the year ended 4 January 2012

Principal activities

The company acts as a holding company. The group's principal activity during the year was investment in a portfolio of health clubs.

Review of the business and future developments

The consolidated profit and loss account page 6 shows turnover for the year of £11.6 million (2011: £11.2 million) and a loss after taxation of £5.7 million (2011: £5.2 million).

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

Results and dividends

The results for the year are set out in the profit and loss account on page 6. No dividend can be paid.

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 year, 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 group has a net liabilities position of £36.9 million.

The group has secured bank financing until 2015. The group's projections, taking account of the high degree of certainty regarding the group's income and expenditure, show that the group should be able to operate within the level of its current facilities. Although the group continues to meet its day to day liabilities including servicing its debt as required by its loan agreements, current economic conditions create uncertainties, particularly in relation to property values which has resulted in a reduction in our valuation of the group's fixed assets. This could affect the group's ability to comply with certain bank loan covenants if the bank requested a valuation for loan covenant purposes, which could result in the loan becoming 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.

The directors, after making enquiries and taking into account the high degree of certainty regarding the company's income and expenditure, have a reasonable expectation that these risks could be managed in light of the changed market environment, and the group has 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 governed by the group's policies approved by the board of directors. The group does not use derivative financial instruments for speculative purposes.

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.

David Lloyd Leisure Property Holdings No 3 Limited
Directors' Report for the year ended 4 January 2012

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. The directors monitor the tenant's financial performance closely.

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 during the year and up to the date of signing the financial statements were as follows:

Mr R N Luck
Mr T Meanock
Mr A J Powell
Mr R J Livingstone

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 indemnity provision for the purposes of the Companies Act 2006.

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 himself 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 s418 of the Companies Act 2006.

Approved by the Board and signed on its behalf by

Mr R N Luck
Director


28/9/2012

David Lloyd Leisure Property Holdings No.3 Limited
Statement of Directors' Responsibilities for the year ended 4 January 2012

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare accounts for each financial year. Under that law the directors have elected to prepare the accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director must not approve the accounts unless he is satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these accounts, 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, subject to any material departures disclosed and explained in the accounts,
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 accounts 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.

By order of the board



Mr R N Luck
Director

28/9/ 2012

INDEPENDENT AUDITOR'S 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 year ended 4 January 2012 which comprise the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated and parent company balance sheets, the consolidated cash flow statement, and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 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 auditor

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the accounts

In our opinion the accounts

- give a true and fair view of the group's and the parent company's affairs as at 4 January 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Directors' Report concerning the risk that the fall in property values could affect the company's ability to comply with certain bank loan covenants. This condition indicates the existence of a material uncertainty which may cast significant doubt about the group and the parent company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and parent company was unable to continue as a going concern.

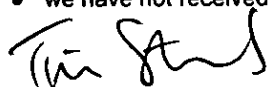
Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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.



Timothy Steel (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom

28/9 2012

David Lloyd Leisure Property Holdings No.3 Limited
Consolidated profit and loss account
for the year ended 4 January 2012

	Notes	2012 £	2011 £
Turnover	1,2	11,584,403	11,232,948
Administrative expenses		(602,962)	(525,943)
Operating profit	3	<u>10,981,441</u>	<u>10,707,005</u>
Interest payable and similar charges	5	(16,701,542)	(15,951,760)
Loss on ordinary activities before taxation		<u>(5,720,101)</u>	<u>(5,244,755)</u>
Tax on loss on ordinary activities	1,6	-	-
Loss for the financial year		<u>(5,720,101)</u>	<u>(5,244,755)</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 profit stated for the financial year above and their historical costs equivalents

David Lloyd Leisure Property Holdings No.3 Limited
Statement of total recognised gains and losses
for the year ended 4 January 2012


	Notes	2012 £	2011 £
Loss for the financial year		(5,720,101)	(5,244,755)
Unrealised (deficit)/ surplus on revaluation of properties	7	(19,735,211)	4,091,624
Total recognised gains and losses related to the year		<u>(25,455,312)</u>	<u>(1,153,131)</u>

David Lloyd Leisure Property Holdings No.3 Limited
Consolidated balance sheet
as at 4 January 2012

Registered number
6589946

	Notes	2012 £	2011 £
Fixed assets			
Investment properties	7	147,987,151	167,722,362
Current assets			
Debtors	9	1,079,593	1,744,590
Creditors: amounts falling due within one year	10	(7,106,298)	(7,146,098)
Net current liabilities		(6,026,705)	(5,401,508)
Total assets less current liabilities		141,960,446	162,320,854
Creditors' amounts falling due after more than one year	11	(178,906,107)	(173,811,203)
Net liabilities		(36,945,661)	(11,490,349)
Capital and reserves			
Called up share capital	13	200,791	200,791
Revaluation reserve	14	(20,436,060)	(700,849)
Profit and loss account	15	(16,710,392)	(10,990,291)
Total shareholders' deficit	16	(36,945,661)	(11,490,349)

These financial statements were approved by the Board of Directors and authorised for issue on 28 September 2012. They were signed on its behalf by


Mr T Meanock
Director
28/9/2012

David Lloyd Leisure Property Holdings No.3 Limited
Company balance sheet
as at 4 January 2012

	Notes	2012 £	2011 £
Fixed assets			
Investments	8	1	1
Current assets			
Debtors	9	148,204,362	171,074,344
Creditors amounts falling due within one year	10	<u>(6,243,916)</u>	<u>(5,487,332)</u>
Net current assets		141,960,446	165,587,012
Total assets less current liabilities		<u>141,960,447</u>	<u>165,587,013</u>
Creditors amounts falling due after more than one year	11	(178,906,107)	(173,811,203)
Net liabilities		<u>(36,945,660)</u>	<u>(8,224,190)</u>
Capital and reserves			
Called up share capital	13	200,791	200,791
Profit and loss account	15	(37,146,451)	(8,424,981)
Total shareholders' deficit	16	<u>(36,945,660)</u>	<u>(8,224,190)</u>

These financial statements were approved by the Board of Directors and authorised for issue on 28 September 2012. They were signed on its behalf by



Mr T Meanock
Director

28/9/2012

David Lloyd Leisure Property Holdings No 3 Limited
Consolidated cash flow statement
for the year ended 4 January 2012

	Notes	2012 £	2011 £
Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit		10,981,441	10,707,005
Decrease/(increase) in debtors		664,997	(1,140,998)
Decrease in creditors		(796,259)	1,132,347
Net cash inflow from operating activities		<u>10,850,179</u>	<u>10,698,354</u>
CASH FLOW STATEMENT			
Net cash inflow/(outflow) from operating activities	18	10,850,179	10,698,354
Returns on investments and servicing of finance	19	(8,177,796)	(8,350,820)
Cashflow before financing		<u>2,672,383</u>	<u>2,347,534</u>
Financing	19	(2,672,383)	(2,347,534)
Increase in cash		<u>-</u>	<u>-</u>
Reconciliation of net cash flow to movement in net debt			
Decrease in debt		2,672,383	2,347,534
Accrued interest payable		(8,133,752)	(7,252,731)
Change in net debt	20	<u>(5,461,369)</u>	<u>(4,905,197)</u>
Net debt at start of year		<u>(176,039,961)</u>	<u>(171,134,764)</u>
Net debt at end of year		<u>(181,501,330)</u>	<u>(176,039,961)</u>

David Lloyd Leisure Property Holdings No.3 Limited
Notes to the consolidated management accounts
for the year ended 4 January 2012

1 Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention as modified to include the revaluation of certain fixed assets and on a going concern basis in accordance with the 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. The principal accounting policies, which have been applied consistently throughout the period, are set out below.

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 2006, 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 £28,721,470 (2011: £3,780,577).

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.

Depreciation

Compliance with the Statement of Standard Accounting Practice (SSAP 19) "Accounting for Investment Properties" requires departure from the requirements of the Companies Act 2006 relating to depreciation and an explanation for the departure is given below.

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.

David Lloyd Leisure Property Holdings No.3 Limited
Notes to the consolidated management accounts
for the year ended 4 January 2012

1 Accounting policies (cont)

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 and the surplus or deficit is transferred to the revaluation reserve. No depreciation is provided in respect of investment properties. The Companies Act 2006 requires all properties to be depreciated. However, this requirement conflicts with SSAP 19 and the director considers 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.

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.

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 company for the year has been derived from its principal activity, wholly undertaken in the UK.

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

3 Operating profit

	2012 £	2011 £
This is stated after charging		
Auditors' remuneration	6,250	6,250
Tax services provided by the company's auditors	5,510	4,876
Analysis of auditors' remuneration		
Fees payable to the company's auditors for the audit of the company's annual accounts	3,125	3,125
Fees payable to the company's auditors for the audit of the company's subsidiary	3,125	3,125
Total audit fees	6,250	6,250

David Lloyd Leisure Property Holdings No.3 Limited
Notes to the consolidated management accounts
for the year ended 4 January 2012

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

	2012 £	2011 £
Bank loans	13,061,599	12,701,811
Shareholder loan notes	3,639,943	3,249,949
	<u>16,701,542</u>	<u>15,951,760</u>

6 Tax on loss on ordinary activities

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

Factors affecting tax charge for period

From 01 April 11 the rate of corporation tax has reduced from 28% to 26%, giving a blended average rate for the year of 26.5%

The differences between the tax assessed for the period and the standard rate of corporation tax are explained as follows

	2012 £	2011 £
Loss on ordinary activities before tax	<u>(5,720,101)</u>	<u>(5,244,755)</u>
Blended/standard rate of corporation tax in the UK	26.5%	28.0%
	£	£
Loss on ordinary activities multiplied by the blended/ standard rate of corporation tax	(1,515,827)	(1,468,531)
Effects of		
Expenses not deductible for tax purposes	964,585	909,986
Capital allowances for period in excess of depreciation	(103,761)	(136,770)
Utilisation of tax losses	(196,774)	-
Carry forward of tax losses to future periods	851,777	695,315
Current tax charge for period	<u>-</u>	<u>-</u>

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 value 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 £1,891,873 (2011: £1,460,996) based on a UK corporation tax rate of 24% (2011: 27%) in this respect.

David Lloyd Leisure Property Holdings No 3 Limited
Notes to the consolidated management accounts
for the year ended 4 January 2012

7 Investment properties

	Freehold land and buildings £	Long leasehold land and buildings £	Total £
Valuation			
At 5 January 2011	71,291,617	96,430,745	167,722,362
Deficit on revaluation	(8,388,596)	(11,346,615)	(19,735,211)
At 4 January 2012	62,903,021	85,084,130	147,987,151

The investment properties were valued on an open market valuation basis as at 4 January 2012 by the directors

8 Investments

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

			Investments in subsidiary undertakings £
Cost and net book value			
At 5 January 2011 and 4 January 2012			<u>1</u>
Company	Country of incorporation or principal business address	Principal activity	% Holding
David Lloyd Leisure Properties No 3 Limited	United Kingdom	Property investment	100

9 Debtors

	Group 2012 £	2011 £
Trade debtors	152,618	1,053,639
Amounts owed by related parties	650,654	690,951
Prepayments and accrued income	276,321	-
	1,079,593	1,744,590

All trade debtors are due from the David Lloyd Leisure group, which is a related party by virtue of having controlling shareholders in common with the company

	Company 2012 £	2011 £
Amounts owed by subsidiary undertaking	148,203,312	171,073,720
Taxation	1,050	624
	148,204,362	171,074,344

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

David Lloyd Leisure Property Holdings No.3 Limited
Notes to the consolidated management accounts
for the year ended 4 January 2012

10 Creditors amounts falling due within one year

	Group	
	2012	2011
	£	£
Bank loans and overdrafts (note 12)	2,595,223	2,228,758
Taxation	399,809	691,478
Accruals and deferred income	4,111,266	4,225,862
	<u>7,106,298</u>	<u>7,146,098</u>

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

	Company	
	2012	2011
	£	£
Bank loans and overdrafts (note 12)	2,595,223	2,228,758
Accruals and deferred income	3,648,693	3,258,574
	<u>6,243,916</u>	<u>5,487,332</u>

11 Creditors amounts falling due after more than one year

	Group	
	2012	2011
	£	£
Bank loans (note 12)	148,573,249	146,728,294
Loan notes (note 12)	30,332,858	27,082,909
	<u>178,906,107</u>	<u>173,811,203</u>

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

	Company	
	2012	2011
	£	£
Bank loans (note 12)	148,573,249	146,728,294
Loan notes (note 12)	30,332,858	27,082,909
	<u>178,906,107</u>	<u>173,811,203</u>

12 Loans

	Group	
	2012	2011
	£	£
Loans are repayable as follows		
Bank loan	151,168,472	148,957,052
Loan notes	30,332,858	27,082,909
	<u>181,501,330</u>	<u>176,039,961</u>
Analysis of maturity of debt		
Within one year or on demand	2,595,223	2,228,758
Between one and two years	3,030,819	2,595,223
Between two and five years	145,542,430	144,133,071
After five years	30,332,858	27,082,909
	<u>181,501,330</u>	<u>176,039,961</u>

David Lloyd Leisure Property Holdings No.3 Limited
Notes to the consolidated management accounts
for the year ended 4 January 2012

12 Loans (continued)

The bank loans are secured by fixed charges over the investment properties and have terms expiring in 2015. 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.

		Group and Company	
		2012	2011
		£	£
13 Share capital			
Authorised			
10,050,000 ordinary shares of £0.20 each			
		<u>2,010,000</u>	<u>2,010,000</u>
	2012	2011	2012
	No	No	£
Allotted, called up and fully paid			
Ordinary shares of £0.20 each	<u>1,003,954</u>	<u>1,003,954</u>	<u>200,791</u>
			<u>200,791</u>

		Group	
		2012	2011
		£	£
14 Investment property revaluation reserve			
At 5 January			
		(700,849)	(4,792,473)
Unrealised (deficit)/ surplus arising on revaluation during the year			
		<u>(19,735,211)</u>	<u>4,091,624</u>
At 4 January			
		<u>(20,436,060)</u>	<u>(700,849)</u>

		Group	
		2012	2011
		£	£
15 Profit and loss account			
At 5 January			
		(10,990,291)	(5,745,536)
Loss for the financial year			
		<u>(5,720,101)</u>	<u>(5,244,755)</u>
At 4 January			
		<u>(16,710,392)</u>	<u>(10,990,291)</u>

		Company	
		2012	2011
		£	£
At 5 January			
		(8,424,981)	(4,644,404)
Loss for the financial year			
		<u>(28,721,470)</u>	<u>(3,780,577)</u>
At 4 January			
		<u>(37,146,451)</u>	<u>(8,424,981)</u>

David Lloyd Leisure Property Holdings No.3 Limited
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16 Reconciliation of movement in shareholders' deficit

	Group	
	2012	2011
	£	£
At 5 January	(11,490,349)	(10,337,218)
Loss for the financial year	(5,720,101)	(5,244,755)
(Deficit)/ surplus arising on revaluation of investment properties	<u>(19,735,211)</u>	<u>4,091,624</u>
At 4 January	<u>(36,945,661)</u>	<u>(11,490,349)</u>

	Company	
	2012	2011
	£	£
At 5 January	(8,224,190)	(4,443,613)
Loss for the financial year	<u>(28,721,470)</u>	<u>(3,780,577)</u>
At 4 January	<u>(36,945,660)</u>	<u>(8,224,190)</u>

17 Derivatives and other financial instruments

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

	Group	Group
	2012	2011
	£	£
Fair value of interest rate swap liability (note 12)	<u>(64,186,016)</u>	<u>(34,714,855)</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

	2012	2011
	£	£
Group operating profit	10,981,441	10,707,005
Decrease/(increase) in debtors	664,997	(1,140,998)
(Decrease)/increase in creditors	<u>(796,259)</u>	<u>1,132,347</u>
	<u>10,850,179</u>	<u>10,698,354</u>

19 Analysis of cash flows

	2012	2011
	£	£
Returns on investments and servicing of finance		
Interest paid	<u>(8,177,796)</u>	<u>(8,350,820)</u>
Financing		
Movement in loans	<u>(2,672,383)</u>	<u>(2,347,534)</u>

David Lloyd Leisure Property Holdings No.3 Limited
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20 Analysis of changes in net debt

	At 5 Jan 2011	Cash flows	Accrued interest payable	At 4 Jan 2012
	£	£	£	£
Debt due within 1 year	(2,228,758)	(366,465)		(2,595,223)
Debt due after 1 year	(173,811,203)	3,038,848	(8,133,752)	(178,906,107)
		2,672,383		
Total	(176,039,961)	2,672,383	(8,133,752)	(181,501,330)

21 Related party transactions

The company has taken advantage of the exemption in FRS 8 that transactions do not need to be disclosed with companies 100% of whose voting rights are controlled within the group

The loan of £151,168,472 (2011 £148,957,052) is made from the Bank of Scotland plc. Bank of Scotland plc is part of the Lloyds Banking Group which has a minority interest in Cavendish Square Partners Limited Partnership. Cavendish Square Partners Limited Partnership holds 45% of the issued share capital of the company.

The £30,332,858 (2011 £27,082,909) of loan notes were provided principally by Bank of Scotland plc and London & Regional Properties Ltd (a fellow group company of London & Regional Group Investments Ltd). The economic benefit of the loan notes provided by Bank of Scotland plc has been transferred to Cavendish Square Partners Limited Partnership.

Interest on the loan notes (net of amounts waived) has been accrued to a total value of £3,639,943 (2011 £3,249,949) which is split as follows: £1,994,071 (2011 £1,780,420) payable to London & Regional Properties Ltd, £1,631,512 (2011 £1,456,707) payable to Bank of Scotland plc, and £14,360 (2011 £12,822) payable to the management team. The economic benefit of the interest accrued on the loan notes provided by Bank of Scotland plc has been transferred to Cavendish Square Partners Limited Partnership.

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 to the financial statements.

22 Parent undertaking

The group does not consider there to be an ultimate controlling party. The significant shareholders are London & Regional Group Investments Limited and Cavendish Square Partners Limited Partnership.

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My Notes

