

Registered number
06589946

David Lloyd Leisure Property Holdings No.3 Limited

Annual report and financial statements

for the year ended 4 January 2010



David Lloyd Leisure Property Holdings No.3 Limited
Annual report and financial statements
5 January 2009 to 4 January 2010

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David Lloyd Leisure Property Holdings No.3 Limited
for the year ended 4 January 2010
Officers and professional advisers

Directors

Mr R N Luck
Mr T Meanock
Mr A J Powell
Mr R J Livingstone (Appointed 21 August 2009)

Company secretary

Mr I M B Harris

Registered office

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

Independent auditors

Deloitte LLP
Chartered Accountants and Statutory 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 year ended 4 January 2010

The directors present their report on the affairs of the Group together with the financial statements and auditors' report for the year ended 4 January 2010

Principal activities

The company 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 £11 million (2009 £2.4 million) and a loss after taxation of £4.8 million (2009 £0.9 million).

Despite the loss for the year, the directors are satisfied with the performance for the year 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 year are set out in the consolidated profit and loss account on page 6. No dividends 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 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 Directors have reviewed the current and projected financial position of the Group, making reasonable assumptions about future trading performance. As part of the review, the Directors considered the Group's cash balances, its debt maturity profile and the long-term nature of tenant leases. Specifically the Group has secured bank financing until 2014 and shareholder loans until 2017. The Group continues to meet its day-to-day liabilities including servicing its debt as required by loan agreements. Although current economic conditions create uncertainties, the Directors believe there is adequate headroom above the financial ratios required by the loan agreements.

After making enquiries, the Directors have a reasonable expectation that the Company and 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 year ended 4 January 2010

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 Chris King (resigned 21 August 2009)

Mr R N Luck

Mr T Meanock

Mr A J Powell

Mr R J Livingstone (appointed 21 August 2009)

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 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 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

30 April 2010

David Lloyd Leisure Property Holdings No.3 Limited
Statement of Directors' responsibilities for the year ended 4 January 2010

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

- select suitable accounting policies and then apply them consistently,
- make judgements and 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.

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 to 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.

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 year ended 4 January 2010 which comprise the Consolidated Profit and Loss Account, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses 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 auditors

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. Our responsibility is to audit the financial statements 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 (APB'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.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 4 January 2010 and of the group's 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.

Opinion on other matter 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

4 May 2010

David Lloyd Leisure Property Holdings No.3 Limited
Consolidated profit and loss account
for the year ended 4 January 2010

	Notes	2010 £	Period from 12 May 2008 to 4 January 2009 £
Group turnover	1,2	10,958,974	2,386,115
Administrative expenses		(512,702)	(9,250)
Group operating profit		<u>10,446,272</u>	<u>2,376,865</u>
Income from investments		-	250
Interest payable and similar charges	5	(15,243,678)	(3,325,245)
Loss on ordinary activities before taxation		<u>(4,797,406)</u>	<u>(948,130)</u>
Tax on loss on ordinary activities	1,6	-	-
Loss on ordinary activities after taxation		<u>(4,797,406)</u>	<u>(948,130)</u>
Loss for the year/period	15	<u>(4,797,406)</u>	<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 for the financial year 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 year ended 4 January 2010

	Note	2010 £	Period from 12 May 2008 to 4 January 2009 £
Loss for the year/period		(4,797,406)	(948,130)
Unrealised surplus/(deficit) on revaluation of investment properties	14	3,990,196	(8,782,669)
Total recognised gains and losses related to the year/period		<u>(807,210)</u>	<u>(9,730,799)</u>

David Lloyd Leisure Property Holdings No.3 Limited
Consolidated balance sheet
At 4 January 2010

Registered number
06589946

	Notes	2010 £	2009 £
Fixed assets			
Investment properties	7	163,630,738	159,640,542
Current assets			
Debtors	9	603,592	2,286,433
Creditors amounts falling due within one year	10	(5,311,484)	(4,416,749)
Net current liabilities		(4,707,892)	(2,130,316)
Total assets less current liabilities		158,922,846	157,510,226
Creditors amounts falling due after more than one year	11	(169,260,064)	(167,040,234)
Net liabilities		(10,337,218)	(9,530,008)
Capital and reserves			
Called up share capital	13	200,791	200,791
Revaluation reserve	14	(4,792,473)	(8,782,669)
Profit and loss account	15	(5,745,536)	(948,130)
Total shareholders' deficit	16	(10,337,218)	(9,530,008)

These financial statements were approved by the Board of Directors and authorised for issue on 30 April 2010. They were signed on its behalf by


Mr T Meanock
Director

04 MAY 2010

David Lloyd Leisure Property Holdings No.3 Limited
Company balance sheet
At 4 January 2010

	Notes	2010 £	2009 £
Fixed assets			
Investments	8	1	1
Non-current assets			
Debtors	9	181,830,984	170,412,865
Creditors amounts falling due within one year	10	<u>(17,014,534)</u>	<u>(3,967,411)</u>
Net current liabilities		(17,014,534)	(3,967,411)
Total assets less current liabilities		<u>164,816,451</u>	<u>166,445,455</u>
Creditors: amounts falling due after more than one year	11	(169,260,064)	(167,040,234)
Net liabilities		<u>(4,443,613)</u>	<u>(594,779)</u>
Capital and reserves			
Called up share capital	13	200,791	200,791
Profit and loss account	15	(4,644,404)	(795,570)
Total shareholders' deficit	16	<u>(4,443,613)</u>	<u>(594,779)</u>

These financial statements were approved by the Board of Directors and authorised issue on *30 April* 2010. They were signed on its behalf by



Mr T Meanock
Director

04 MAY 2010

David Lloyd Leisure Property Holdings No.3 Limited
Consolidated cash flow statement
for the year ended 4 January 2010

	Notes	2010 £	2009 £
Net cash inflow/(outflow) from operating activities	18	12,210,320	(250)
Returns on investments and servicing of finance	19	(11,275,611)	250
Acquisitions and disposals	19	-	(168,423,211)
Cash inflow/(outflow) before financing		<u>934,709</u>	<u>(168,423,211)</u>
Financing	19	(934,709)	168,423,211
Increase in cash		<u>-</u>	<u>-</u>
Reconciliation of net cash flow to movement in net debt			
Decrease/(increase) in debt		934,709	(168,861,678)
Accrued interest payable	20	<u>(3,207,795)</u>	-
Change in net debt	20	<u>(2,273,086)</u>	<u>(168,861,678)</u>
Net debt at start of year/period		(168,861,678)	-
Net debt at end of year/period		<u>(171,134,764)</u>	<u>(168,861,678)</u>

David Lloyd Leisure Property Holdings No 3 Limited
Notes to the consolidated financial statements
for the year ended 4 January 2010

1 Accounting policies

The principal accounting policies, which have been applied consistently throughout the year and preceeding 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 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 £3,848,834 (2009 £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 2006 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 2006 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.

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 consolidated financial statements
for the year ended 4 January 2010

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 the 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

This is stated after charging

Loss on sale of subsidiary undertakings

Auditors' remuneration

Tax services provided by the company's auditors

	2010	Period from 12 May 2008 to 4 January 2009
	£	£
		250
	6,250	5,000
	<u>5,000</u>	<u>4,000</u>

Analysis of auditors' remuneration

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

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

Total audit fees

	3,125	2,500
--	<u>3,125</u>	<u>2,500</u>
	<u>6,250</u>	<u>5,000</u>

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

Bank loans

Shareholder loan notes

Loan notes from related parties

	2010	Period from 12 May 2008 to 4 January 2009
	£	£
	12,341,938	2,108,311
	2,901,740	672,415
	--	<u>544,519</u>
	<u>15,243,678</u>	<u>3,325,245</u>

David Lloyd Leisure Property Holdings No 3 Limited
Notes to the consolidated financial statements
for the year ended 4 January 2010

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

	2010 £	Period from 12 May 2008 to 4 January 2009 £
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		
Loss on ordinary activities before taxation	(4,797,406)	(948,130)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28%	(1,343,274)	(265,476)
Effects of		
Expenses not deductible for tax purposes	812,487	188,276
Carry forward of tax losses to future periods	530,787	77,200
Total current tax charge	-	-

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 £607,987 (2009 £77,200) based on a UK corporation tax rate of 28% in this respect.

7 Investment properties

Group	Freehold Properties £	Long Leasehold Properties £	Total £
Valuation			
At 5 January 2009	67,856,376	91,784,166	159,640,542
Unrealised deficit on revaluation of investment properties	1,696,066	2,294,130	3,990,196
At 4 January 2010	69,552,442	94,078,296	163,630,738

The investment properties were revalued on an open market valuation basis as at 4 January 2010 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 £
Cost and net book value	
At 5 January 2009 and 4 January 2010	1

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

David Lloyd Leisure Property Holdings No 3 Limited
Notes to the consolidated financial statements
for the year ended 4 January 2010

9 Debtors

	Group	
	2010	2009
	£	£
Amounts owed by related undertakings	603,592	2,286,433

	Company	
	2010	2009
	£	£
Amounts owed by subsidiary undertaking	181,830,253	170,412,865
Other debtors	731	-
	<u>181,830,984</u>	<u>170,412,865</u>

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	
	2010	2009
	£	£
Bank loans and overdrafts (note 12)	1,874,700	1,821,444
Trade creditors	-	12,856
Other taxes and social security costs	397,524	310,331
Accruals and deferred income	<u>3,039,260</u>	<u>2,272,118</u>
	<u>5,311,484</u>	<u>4,416,749</u>

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

	Company	
	2010	2009
	£	£
Bank loans and overdrafts (note 12)	1,874,700	1,821,444
Amounts owed to group undertakings	12,229,469	-
Accruals and deferred income	<u>2,910,365</u>	<u>2,145,967</u>
	<u>17,014,534</u>	<u>3,967,411</u>

11 Creditors amounts falling due after one year

	Group	
	2010	2009
	£	£
Bank loans (note 12)	145,078,895	143,531,480
Loan notes (note 12)	24,181,169	23,508,754
	<u>169,260,064</u>	<u>167,040,234</u>

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

	Company	
	2010	2009
	£	£
Bank loans (note 12)	145,078,895	143,531,480
Loan notes (note 12)	<u>24,181,169</u>	<u>23,508,754</u>
	<u>169,260,064</u>	<u>167,040,234</u>

David Lloyd Leisure Property Holdings No 3 Limited
Notes to the consolidated financial statements
for the year ended 4 January 2010

12 Loans

	Group	
	2010	2009
	£	£
Loans are repayable as follows		
Bank loans and overdrafts	146,953,596	145,352,924
Loan notes	24,181,169	23,508,754
	<u>171,134,765</u>	<u>168,861,678</u>
Analysis of maturity of debt		
Within one year or on demand	1,874,700	1,821,444
Between one and two years	2,228,758	1,874,700
Between two and five years	9,111,013	7,854,800
After five years	157,920,294	157,310,734
	<u>171,134,765</u>	<u>168,861,678</u>

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

	Group and Company	
	2010	2009
	£	£
Authorised		
10,050,000 ordinary shares of £0.20 each	2,010,000	2,010,000
	<u>2,010,000</u>	<u>2,010,000</u>
	2010	2009
	No	No
	£	£
Allotted, called up and fully paid		
Ordinary shares of £0.20 each	1,003,954	1,003,954
	<u>1,003,954</u>	<u>1,003,954</u>
Movement in share capital	2010	2009
	£	£
At 5 January 2009	200,791	-
Shares issued	-	200,791
At 4 January 2010	<u>200,791</u>	<u>200,791</u>

14 Revaluation reserve

	Group	
	2010	2009
	£	£
At 5 January 2009	(8,782,669)	-
Unrealised surplus/(deficit) on revaluation of investment properties	3,990,196	(8,782,669)
At 4 January 2010	<u>(4,792,473)</u>	<u>(8,782,669)</u>

15 Profit and loss account

	Group	
	2010	2009
	£	£
At 5 January 2009	(948,130)	-
Loss for the year/period	(4,797,406)	(948,130)
At 4 January 2010	<u>(5,745,536)</u>	<u>(948,130)</u>
	Company	
	2010	2009
	£	£
At 5 January 2009	(795,570)	-
Loss for the year/period	(3,848,834)	(795,570)
At 4 January 2010	<u>(4,644,404)</u>	<u>(795,570)</u>

David Lloyd Leisure Property Holdings No 3 Limited
Notes to the consolidated financial statements
for the year ended 4 January 2010

16 Reconciliation of movement in shareholders' deficit

	Group	
	2010	2009
	£	£
At 5 January 2009	(9,530,008)	-
New shares issued	-	200,791
Loss for the year/period	(4,797,406)	(948,130)
Unrealised surplus/(deficit) on revaluation of investment properties	3,990,196	(8,782,669)
At 4 January 2010	<u>(10,337,218)</u>	<u>(9,530,008)</u>

	Company	
	2010	2009
	£	£
At 5 January 2009	(594,779)	-
New shares issued	-	200,791
Loss for the year/period	(3,848,834)	(795,570)
At 4 January 2010	<u>(4,443,613)</u>	<u>(594,779)</u>

17 Derivatives and other financial instruments

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

	Group	
	2010	2009
	£	£
Fair value of interest rate swap liability (note 12)	<u>(28,169,923)</u>	<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

	2010	2009
	£	£
Group operating profit	10,446,272	2,376,865
Decrease/(increase) in debtors	1,682,844	(2,830,952)
Increase in creditors	81,204	453,837
Net cash inflow/(outflow) from operating activities	<u>12,210,320</u>	<u>(250)</u>

19 Net cash outflow from operating activities
Analysis of cash flows

	Group	
	2010	2009
	£	£
Returns on investments and servicing of finance		
Dividends received	-	250
Interest paid	(11,275,611)	-
	<u>(11,275,611)</u>	<u>250</u>
Acquisitions and disposals		
Payments to acquire tangible fixed assets	-	(168,423,211)
Payments to acquire investments	-	(50,000)
Proceeds on sale of subsidiary	-	50,000
	<u>-</u>	<u>(168,423,211)</u>
Financing		
Issue of share capital	-	200,791
Movement in loans	(934,709)	168,222,420
	<u>(934,709)</u>	<u>168,423,211</u>

David Lloyd Leisure Property Holdings No 3 Limited
Notes to the consolidated financial statements
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20 Analysis and reconciliation of net debt

	At 5 January 2009	Cashflow	Accrued interest payable	At 4 January 2010
	£	£	£	£
Debt due within 1 year	(1,821,444)	(53,256)	-	(1,874,700)
Debt due after 1 year	(167,040,234)	987,965	(3,207,795)	(169,260,064)
		934,709		
Total	(168,861,678)	934,709	(3,207,795)	(171,134,764)

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% or more of whose voting rights are controlled within the group

The loan of £146,953,596 (2009 £145,352,924) is made from the Bank of Scotland plc. Bank of Scotland plc owns Ubernor Integrated Ltd and Ubernor ISAF CIP Nominee Ltd, which hold 45% of the issued share capital of the company

The £24,181,169 (2009 £23,508,274) of loan notes were provided principally by Ubernor 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 £2,901,740 (2009 £672,415) which is split as follows: £1,589,661 (2009 £368,369) payable to London & Regional Properties Ltd, £1,300,631 (2009 £301,393) payable to Bank of Scotland plc, and £11,448 (2009 £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 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 Ubernor Integrated Limited