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APOLLO LEISURE (U.K.) LIMITED

DIRECTORS' REPORT AND
GROUP FINANCIAL STATEMENTS

for the year ended 30 NOVEMBER 1985



APOLLO LEISURE (U.K.) LIMITED

REPORT OF THE DIRECTORS
for the year ended 30 NOVEMBER 1985

The directors present their report and the group financial statements for the year ended 30 November 1985.

REVIEW OF BUSINESS

The principal activity of the group for the year under review have been the hire of theatres and the operation of public houses. Two of the group's subsidiaries, Apollo Theatre (Coventry) Limited and Apollo Theatre (Glasgow) Limited, ceased to trade during the year.

RESULTS AND DIVIDENDS

The results for the year are set out in the group profit and loss account on page 3.

The directors do not recommend that a dividend be paid.

FUTURE DEVELOPMENTS

On 1 December 1985 the assets, liabilities and trades of all the company's subsidiaries with the exception of Apollo Theatre Productions Limited were transferred to Apollo Leisure (U.K.) Limited.

The directors are constantly seeking ways in which to both expand and increase the group's activities in the leisure industry. As referred to in note 27 to the financial statements the group has acquired a 90% interest in the Hutchinson Leisure Group of Companies Limited. Subsequent to the year end the group has acquired an interest in the Liverpool Empire and the freehold of the Edinburgh Playhouse and in addition a major refurbishment programme at both the Victoria and Bristol Theatres has been completed.

FIXED ASSETS

Acquisitions and disposals of tangible fixed assets during the year are set out in note 10 on page 10.

DIRECTORS' AND THEIR INTERESTS

The directors in office throughout the year are listed below:-

E.L. Becker, B.A. F.C.A.
P.R. Gregg
J. Harper, B.A. F.C.A.
K.A. Paul, F.C.A.
D.C. Rogers, F.C.A.
S.J. Shrouder
K. Wells

Mr. E.L. Becker resigned as a director on 31 December 1986.

CLOSE COMPANY

In the opinion of the directors the company is a close company within the meaning of the Income and Corporation Taxes Act 1970.

AUDITORS

A resolution to re-appoint the joint auditors, Smith Partnership and Binder Hamlyn, will be proposed at the annual general meeting.

By order of the board

D.C. ROGERS

Secretary

13 March 1987

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REPORT OF THE AUDITORS TO THE MEMBERS OF
APOLLO LEISURE (U.K.) LIMITED

We have audited the financial statements on pages 3 to 14 in accordance with approved Auditing Standards

In our opinion the financial statements, which have been prepared on the basis of the accounting policies set out on page 7, give a true and fair view of the state of affairs of the company and the group at 30 November 1985 and of the profit and source and application of funds of the group for the year then ended and comply with the Companies Act 1985.

SMITH PARTNERSHIP

Chartered Accountants
Midland Bank Chambers
26 Cross Street
Manchester M2 1ND

13 March 1987

BINDER HAMLYN

Chartered Accountants
Scottish Provident House
52 Brown Street
Manchester M2 2AU

13 March 1987

APOLLO LEISURE (U.K.) LIMITED
GROUP PROFIT AND LOSS ACCOUNT
for the year ended 30 NOVEMBER 1985

	<u>Note</u>	£	<u>1984</u> £
TURNOVER	2	5,567,779	3,856,370
COST OF SALES		2,672,670	1,950,478
		<hr/>	<hr/>
GROSS PROFIT		2,895,109	1,905,892
DISTRIBUTION COSTS		50,271	30,212
ADMINISTRATIVE EXPENSES		2,496,444	1,773,098
		<hr/>	<hr/>
		348,394	102,582
OTHER OPERATING INCOME	3	57,245	31,582
		<hr/>	<hr/>
OPERATING PROFIT	4	405,639	134,164
INTEREST PAYABLE	7	189,337	49,221
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION ...		216,302	84,943
TAX ON PROFIT ON ORDINARY ACTIVITIES	8	84,437	18,500
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	9	£131,865	£66,443
		=====	=====

STATEMENT OF RETAINED PROFITS

RETAINED PROFIT FOR THE YEAR		131,865	66,443
RETAINED PROFITS AT BEGINNING OF YEAR -			
As previously reported		(1,024,171)	(1,029,114)
Prior year adjustment	22	(18,500)	(80,000)
As re-stated		(1,042,671)	(1,109,114)
		<hr/>	<hr/>
RETAINED PROFITS AT END OF YEAR	21	£(910,806)	£(1,042,671)
		=====	=====

APOLLO LEISURE (U.K.) LIMITED

GROUP BALANCE SHEET as at 30 NOVEMBER 1985

	<u>Note</u>	£	£	<u>1984</u>	£
FIXED ASSETS					
Tangible assets	10(i)		2,062,165		506,324
Intangible assets	11		-		312,418
			<hr/>		<hr/>
			2,062,165		818,742
CURRENT ASSETS					
Stocks	13	81,108		77,363	
Debtors	14	944,883		651,987	
Cash at bank and in hand		353,441		181,070	
		<hr/>		<hr/>	
		1,379,432		910,420	
CREDITORS: amounts falling due within one year	15	3,757,450		2,594,730	
		<hr/>		<hr/>	
NET CURRENT LIABILITIES			(2,378,018)		(1,684,310)
			<hr/>		<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES			(315,853)		(865,568)
CREDITORS: amounts falling due after more than one year	16		(847,271)		(71,503)
PROVISION FOR LIABILITIES					
Deferred taxation	19		(60,000)		(105,500)
			<hr/>		<hr/>
			£(1,223,124)		£(1,042,571)
			=====		=====
CAPITAL AND RESERVES					
Called up share capital	20		100		100
Profit and loss account:					
Adverse balance	21		(1,223,224)		(1,042,671)
			<hr/>		<hr/>
			£(1,223,124)		£(1,042,571)
			=====		=====

P.R. GREGG)

) Directors

D.C. ROGERS)

APOLLO LEISURE (U.K.) LIMITED
BALANCE SHEET as at 30 NOVEMBER 1985

	<u>Note</u>	£	£	<u>1984</u>	£
FIXED ASSETS					
Tangible assets	10(ii)		1,040,743		53,046
Investments	12		900		900
			<hr/>		<hr/>
			1,041,643		53,946
CURRENT ASSETS					
Stock	13	1,007		3,601	
Debtors	14	831,429		1,255,327	
Cash at bank and in hand		297,849		444	
		<hr/>		<hr/>	
		1,130,285		1,259,372	
CREDITORS: amounts falling due within one year	15	3,531,079		2,125,098	
		<hr/>		<hr/>	
NET CURRENT LIABILITIES			(2,400,794)		(865,726)
			<hr/>		<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES			(1,359,151)		(811,780)
CREDITORS: amounts falling due after more than one year	16		(720,633)		(36,000)
PROVISION FOR LIABILITIES					
Deferred Taxation	19		(5,500)		-
			<hr/>		<hr/>
			£(2,085,284)		£(847,780)
			=====		=====
CAPITAL AND RESERVES					
Called up share capital	20		100		100
Profit and loss account -					
Adverse balance	21		(2,085,384)		(847,880)
			<hr/>		<hr/>
			£(2,085,284)		£(847,780)
			=====		=====

P.R. GREGG)

) Directors

D.C. ROGERS)

APOLLO LEISURE (U.K.) LIMITED

STATEMENT OF GROUP'S SOURCE AND APPLICATION OF FUNDS
for the year ended 30 NOVEMBER 1985

	<u>1984</u>	
	£	£
SOURCE OF FUNDS		
Profit on ordinary activities before taxation	216,302	84,943
Adjustment for items not involving the movement of funds:		
Depreciation and amortisation ...	274,108	252,270
Profit on sale of fixed assets ..	(9,189)	-
Show production investments	-	47,204
	<hr/>	<hr/>
	264,919	299,474
	<hr/>	<hr/>
TOTAL GENERATED FROM OPERATIONS	481,221	384,417
FUNDS FROM OTHER SOURCES		
Sale proceeds of fixed assets	327,951	263
Brewery and other deferred loans ..	117,972	45,975
Debenture loan	975,000	-
	<hr/>	<hr/>
	1,902,144	430,655
APPLICATION OF FUNDS		
Purchase of fixed assets	2,148,711	15,644
Brewery loans repaid	6,128	48,500
Taxation paid	7,051	-
Investments in show productions ...	-	9,596
	<hr/>	<hr/>
	2,161,890	73,748
	<hr/>	<hr/>
	(259,746)	356,907
MOVEMENT IN WORKING CAPITAL		
Stocks	(3,745)	5,746
Debtors	(397,810)	(91,542)
Creditors	214,184	59,847
Group indebtedness	195,478	225,380
Hire purchase creditors	20,756	(19,098)
	<hr/>	<hr/>
	28,863	180,333
	<hr/>	<hr/>
	£(230,883)	£537,240
	=====	=====
MOVEMENT IN NET LIQUID FUNDS		
Cash at bank and in hand	172,371	167,799
Bank overdraft	(403,254)	369,441
	<hr/>	<hr/>
	£(230,883)	£537,240
	=====	=====

APOLLO LEISURE (U.K.) LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS for the year ended 30 NOVEMBER 1985

1. ACCOUNTING POLICIES

(a) Accounting convention

The group financial statements have been prepared under the historical cost convention.

(b) Basis of preparation

The group financial statements consolidate those of the company and all its subsidiaries made up to 30 November 1985.

(c) Goodwill

Goodwill arising on consolidation is written off to reserves.

(d) Depreciation

Depreciation is provided in order to write off the cost less the estimated realisable value of tangible fixed assets over their estimated useful lives. The rates used are calculated on a straight line basis as follows:-

Freehold property	- over 50 years
Leasehold improvements	- over 7 years
Fixtures, fittings and motor vehicles	- 3 - 7 years
Computer equipment	- over 5 years

(e) Stock

Stock has been valued at the lower of actual cost and net realisable value.

(f) Deferred taxation

Provision is made at current rates for taxation deferred in respect of all material timing differences, except to the extent that in the opinion of the directors there is reasonable probability that the liability will not arise in the foreseeable future.

(g) Leasing and rental transactions

Operating lease and rental transactions are charged to profit and loss account in the period to which they relate.

2. TURNOVER

Turnover represents the amount receivable in respect of theatre hire, ticket sales, liquor and catering sales, exclusive of value added tax.

3. OTHER OPERATING INCOME

This comprises:

	<u>1985</u>	<u>1984</u>
	£	£
Share of profit/(loss) of joint venture	14,475	(224)
Rent receivable	42,770	31,806
	<hr/>	<hr/>
	£57,245	£31,582
	=====	=====

4. OPERATING PROFIT

The operating profit is stated after charging:-

Directors' emoluments	172,813	81,733
Staff costs	1,390,854	1,160,084
Auditors' remuneration	25,000	20,600
Hire of plant and machinery	55,654	58,539
Depreciation of tangible fixed assets	274,108	247,270
	=====	=====

1985

1984

£

£

5. DIRECTORS' EMOLUMENTS

Salaries

Chairman's emoluments

Highest paid director

Emoluments of the remaining directors fell within the following bands:-

£0 - £5,000	2	3
£20,001 - £25,000	-	1
£25,001 - £30,000	1	1
£35,001 - £40,000	1	-
£40,001 - £45,000	1	-
	=	=

£172,813

81,733

Nil

Nil

£69,333

£30,000

No.

No.

6. STAFF COSTS

Salaries

Social security costs

The average weekly number of employees during the year was:

Full time employees	456	403
Part time employees	240	210
	---	---
	696	613
	===	===

1,411,869

1,126,458

151,798

115,359

£1,563,667

£1,241,817

No.

No.

7. INTEREST PAYABLE

	<u>1985</u>	<u>1984</u>
	£	£
Hire purchase interest	2,341	3,709
Bank interest	25,286	45,276
Loan interest	161,710	236
	<hr/>	<hr/>
	£189,337	£49,221
	=====	=====

8. TAX ON PROFIT ON ORDINARY ACTIVITIES
The charge for the year is made up of:-

	£	£
Corporation tax at 41% on the assessable profit of the year	129,937	80,000
Transfer from deferred taxation	(45,500)	(61,500)
	<hr/>	<hr/>
	£84,437	£18,500
	=====	=====

9. PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION
The amount of the group profit attributable to Apollo Leisure (U.K.)
Limited which has been dealt with in its own accounts is a loss of
£147,083 (1984 - profit £4,560).

10. TANGIBLE FIXED ASSETS

(i) The Group

	<u>Freehold properties</u>	<u>Leasehold improvements</u>	<u>Fixtures and fittings</u>	<u>Computer equipment</u>	<u>Motor vehicles</u>	<u>Total</u>
	£	£	£	£	£	£
Cost						
At 1 December 1984	-	136,614	1,153,701	15,310	105,506	1,411,131
Additions	1,881,288	-	164,095	4,868	98,460	2,148,711
Disposals	(300,000)	(12,897)	(168,283)	-	(77,681)	(558,861)
At 30 November 1985	1,581,288	123,717	1,149,513	20,178	126,285	3,000,981
Depreciation						
At 1 December 1984	-	67,904	750,544	4,539	81,820	904,807
Disposals	-	(12,897)	(167,332)	-	(59,870)	(240,099)
Charge for the year	15,303	36,585	193,361	3,377	25,482	274,108
At 30 November 1985	15,303	91,592	776,573	7,916	47,432	938,816
Net book value						
At 30 November 1985	£1,565,985	£32,125	£372,940	£12,262	£78,853	£2,062,165
At 1 December 1984	£-	£68,710	£403,157	£10,771	£23,686	£506,324

(ii) The Company

	<u>Freehold properties</u>	<u>Fixtures and fittings</u>	<u>Computer equipment</u>	<u>Motor vehicles</u>	<u>Total</u>
	£	£	£	£	£
Cost					
At 1 December 1984	-	62,798	12,616	105,506	180,920
Additions	813,000	91,166	4,868	98,460	1,007,494
Disposals	-	-	-	(77,681)	(77,681)
Inter Group transfers ...	-	41,534	-	-	41,534
At 30 November 1985	813,000	195,498	17,484	126,285	1,152,267
Depreciation					
At 1 December 1984	-	42,866	3,188	81,820	127,874
Disposals	-	-	-	(59,870)	(59,870)
Charge for the year	-	15,199	2,839	25,482	43,520
At 30 November 1985	-	58,065	6,027	47,432	111,524
Net book value					
At 30 November 1985	£813,000	£137,433	£11,457	£78,853	£1,040,743
At 1 December 1984	£-	£19,932	£9,428	£23,686	£53,046

11. INTANGIBLE FIXED ASSETS

	<u>1985</u>	<u>1984</u>
	£	£
Goodwill on consolidation	£-	£312,418
	===	=====

In compliance with Statement of Standard Accounting Practice Number 22 goodwill arising on consolidation has been written off to reserves.

12. INVESTMENTS

Company

This represents the investment, at cost, in the company's wholly owned subsidiaries listed below.

<u>Company</u>	<u>Nature of business</u>
Apollo Theatre (Oxford) Limited	Theatre hire
Apollo Theatre (Manchester) Limited	Theatre hire
Apollo Theatre (Glasgow) Limited	Theatre hire
Apollo Theatre (Coventry) Limited	Theatre hire
Apollo Theatre (Victoria) Limited	Theatre hire
Apollo Cambridge Theatre Limited	Theatre hire
Apollo Theatre Productions Limited	Theatrical and entertaining agents
Apollo Leisure Cars Limited	Dormant
Apollo Licensed Premises Limited	Managing licensed premises

13. STOCKS

	<u>Group</u>		<u>Company</u>	
	<u>1985</u>	<u>1984</u>	<u>1985</u>	<u>1984</u>
	£	£	£	£
Consumables	20,553	24,464	-	2,100
Goods for resale	60,555	52,899	1,007	1,501
	=====	=====	=====	=====
	£81,108	£77,363	£1,007	£3,601

14. DEBTORS

	£	£	£	£
Trade debtors	317,482	194,611	-	-
Amounts owed by subsidiaries ..	-	-	384,671	1,049,422
Amount owed by holding company	-	104,914	218,952	104,914
Other debtors	549,898	257,062	200,875	87,839
Prepayments and accrued income	77,503	95,400	26,931	13,152
	=====	=====	=====	=====
	£944,883	£651,987	£831,429	£1,255,327

15. CREDITORS: amounts falling due within one year

	<u>Group</u>		<u>Company</u>	
	<u>1985</u>	<u>1984</u>	<u>1985</u>	<u>1984</u>
	£	£	£	£
Mortgage loan (note 18) ..	300,000	-	300,000	-
Brewery loans (note 17) .	6,492	6,492	-	-
Hire purchase creditors .	21,796	1,040	21,796	1,040
Bank overdraft	454,237	50,983	428,233	40,706
Amounts due to promoters and advance bookings ...	1,155,205	1,649,275	-	-
Trade creditors	129,427	167,909	129,427	167,909
Amounts owed to subsidiaries	-	-	2,117,335	1,623,212
Amounts owed to holding company	90,564	-	-	-
Corporation tax	202,886	80,000	7,249	7,500
Other taxation and social security	245,577	197,795	145,214	97,416
Other creditors	665,702	205,617	194,284	123,041
Accruals and deferred income	485,564	235,619	187,541	64,274
	<u>£3,757,450</u>	<u>£2,594,730</u>	<u>£3,531,079</u>	<u>£2,125,098</u>
	=====	=====	=====	=====

Subsequent to 30 November 1985 certain of the group's freehold properties were charged in order to secure bank borrowings.

16. CREDITORS: amounts falling due after more than one year:-

	<u>Group</u>		<u>Company</u>	
	<u>1985</u>	<u>1984</u>	<u>1985</u>	<u>1984</u>
	£	£	£	£
Mortgage loan (note 18) ..	675,000	-	675,000	-
Brewery loans	22,632	30,693	-	-
Advances on discount (note 17)	31,667	40,810	27,661	36,000
Hire purchase creditors ..	17,972	-	17,972	-
Deferred creditor re purchase of freehold property	100,000	-	-	-
	<u>£847,271</u>	<u>£71,503</u>	<u>£720,633</u>	<u>£36,000</u>
	=====	=====	=====	=====

17. BREWERY LOANS AND ADVANCES ON DISCOUNT

(i) The brewery loans are repayable by equal instalments terminating in 1988 and 1990.

(ii) Advances on discount are amortised by way of barrellage discount.

18. MORTGAGE LOAN

The loan is secured by legal charges over one of the group's freehold properties and over the leaseholds occupied by the Apollo Theatre (Victoria) Limited, Apollo Theatre (Manchester) Limited and Apollo Theatre (Oxford) Limited. The loan is repayable by equal monthly instalments terminating in 1989 and is subject to interest at 15% per annum.

19. DEFERRED TAXATION

The potential liability calculated at 37% (1984 42%) for which full provision has been made in these financial statements is as follows:-

	<u>Group</u>		<u>Company</u>	
	<u>1985</u>	<u>1984</u>	<u>1985</u>	<u>1984</u>
	£	£	£	£
Accelerated capital allowances	60,000	128,833	5,500	-
Accumulated tax losses	-	(23,333)	-	-
	<u>£60,000</u>	<u>£105,500</u>	<u>£5,500</u>	<u>£-</u>
	=====	=====	=====	=====

20. SHARE CAPITAL

	<u>Authorised</u>		<u>Allotted and fully paid</u>	
	<u>1985</u>	<u>1984</u>	<u>1985</u>	<u>1984</u>
	<u>Number</u>	<u>Number</u>	£	£
Ordinary shares of £1 each	100	100	£100	£100
	===	===	===	===

21. PROFIT AND LOSS ACCOUNT

	<u>Group</u>	<u>Company</u>
	£	£
Adverse balance at 1 December 1984 - as restated	(1,042,671)	(847,880)
Retained profit/(loss) for the year	131,865	(1,237,504)
	<u>(910,806)</u>	<u>(2,085,384)</u>
Retained profit/(loss) at end of year	(910,806)	(2,085,384)
Goodwill on consolidation now written off	(312,418)	-
	<u>£(1,223,224)</u>	<u>£(2,085,384)</u>
	=====	=====
Adverse balance at 30 November 1985	£(1,223,224)	£(2,085,384)
	=====	=====

22. **PRIOR YEAR ADJUSTMENT**
This represents an underprovision for deferred taxation in earlier years.
23. **ULTIMATE HOLDING COMPANY**
Apollo Leisure (U.K.) Limited is a wholly owned subsidiary of Apollo Leisure Group Limited, an Isle of Man registered company.
24. **CAPITAL COMMITMENTS**
At the balance sheet date there existed capital commitments of £1,005,000 approved by the directors but not contracted for (1984 - £360,000).
25. **CONTINGENT LIABILITIES**
The company's bankers hold composite cross guarantees to and from other group companies for all liabilities and which at 30 November 1985 amounted to £30,880.
26. **FINANCIAL COMMITMENTS**
At 30 November 1985 the group had, in respect of land and buildings, annual commitments under non-cancellable operating leases as follows:-
- | | <u>Group</u> | <u>Company</u> |
|--|--------------|----------------|
| | £ | £ |
| Leases expiring: within one year | 8,000 | - |
| over five years | 118,500 | 6,600 |
| | <hr/> | <hr/> |
| | £126,500 | £6,600 |
| | ===== | ===== |
27. **TRANSACTIONS WITH DIRECTORS**
- (a) Shortly before the year end the company extended a bridging loan facility to Mr. D.C. Rogers to enable him to move house for business reasons. The loan made and outstanding at 30 November 1985 amounted to £40,900 and is interest free. The loan will be repaid as soon as Mr. Rogers previous house is sold.
- (b) During the year P.R. Gregg was granted an interest free loan which amount was fully repaid at 30 November 1985. The maximum balance outstanding on the loan during the year was £6,818.
28. **POST BALANCE SHEET EVENTS**
On 18 April 1986 the company paid £100,000 and issued loan notes amounting to £2,600,000 for the purpose of acquiring 90% of the issued share capital of Hutchinson Leisure Group of Companies Limited.
29. **APPROVAL OF FINANCIAL STATEMENTS**
The financial statements were approved by the board of directors on 13 March 1987.