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THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended immediately to seek your own financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services Act 1986.

If you have sold or otherwise transferred all your Northern Leisure Shares or Fife Shares, please send this document and the accompanying documents at once to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee. However, such documents should not be forwarded or transmitted in or into the United States, Canada, Australia or Japan.

A copy of this document, which comprises listing particulars relating to Northern Leisure in accordance with the listing rules under section 142 of the Financial Services Act 1986, has been delivered to the Registrar of Companies in England and Wales for registration as required by section 149 of that Act.

Application has been made to the London Stock Exchange for the New Northern Leisure Shares and Northern Leisure Share Warrants to be admitted to the Official List. It is expected that admission of the New Northern Leisure Shares and the Northern Leisure Share Warrants to the Official List will become effective and that dealings will commence on the London Stock Exchange on the first dealing day following the day on which the Offer becomes or is declared unconditional in all respects (save for the condition relating to Admission).

This document should be read in conjunction with the accompanying Offer Document or Circular.

Your attention is specifically drawn to, and all statements relating to Northern Leisure's business, financial position and prospects should be viewed in the light of Year 2000 compliance issues which are set out in paragraph 17 of Part V of this document.

NORTHERN LEISURE PLC

Listing Particulars relating to the issue of up to 12,525,930 New Northern Leisure Shares of 10p each and up to 13,452,571 Northern Leisure Share Warrants of 0.01p each in connection with the Subscriptions, the recommended offer for Fife Group PLC and the Bonus Issue

ING Barings, which is regulated by The Securities and Futures Authority Limited, is acting for Northern Leisure and no-one else in connection with the Proposals and will not be responsible to anyone other than Northern Leisure for providing the protections afforded to customers of ING Barings or for providing advice in relation to the Proposals.

CONTENTS

DIRECTORS AND ADVISERS OF NORTHERN LEISURE PLC

Board of Directors:	Alexander Cassels (Chairman) Clive Preston (Managing Director) Nicholas Oppenheim (Vice Chairman) Niven Ballantyne (Executive Director) Andrew McIvor (Executive Director) Brendan McLoughlin (Executive Director) Peter Marks (Executive Director) Matthew Streets (Finance Director) Don Hanson (Non-executive Director) Robert Wickham (Non-executive Director)
Proposed Directors:	Adam Mills Ray McEnhill John Pattisson The Proposed Directors will join the Board on completion of the Offer
Secretary, Registered and Head Office:	Peter Smith 1 Primrose Hill Preston Lancashire PR1 4BX
Financial Advisers:	ING Barings Limited 60 London Wall London EC2M 5TQ
Stockbrokers:	Charterhouse Securities Limited 1 Paternoster Row St. Paul's London EC4M 7DH
Auditors:	KPMG Audit Plc 8 Salisbury Square Blackfriars London EC4Y 8BB
Solicitors to the Company:	Herbert Smith Exchange House Primrose Street London EC2A 2HS
Registrars:	Lloyds TSB Registrars Scotland 117 Dundas Street Edinburgh EH3 5ED
Receiving Bank:	Lloyds TSB Registrars The Causeway Worthing West Sussex BN99 6DA
Bankers:	National Westminster Bank 35 Fishergate Preston, Lancashire PR1 2BY The Royal Bank of Scotland Regents House 42 Islington High Street London N1 8XL Bank of Scotland 38 Threadneedle Street London EC2P 2EH

PART I

Definitions

The following definitions apply throughout this document, unless the context requires otherwise:

"Act"	the Companies Act 1985, as amended
"Admission"	the admission of New Northern Leisure Shares and Northern Leisure Share Warrants to the Daily Official List
"Bonus Issue"	the conditional bonus issue of Northern Leisure Share Warrants to Northern Leisure Shareholders on the register at the Record Date on the basis of 1 Northern Leisure Share Warrant for every 10 Northern Leisure Shares then held
"Code"	The City Code on Takeovers and Mergers
"completion of the Offer"	the Offer becoming unconditional in all respects
"CREST"	the dematerialised securities trading system operated by CRESTCo Limited
"Daily Official List"	the Daily Official List of the London Stock Exchange
"Directors" or "Board"	the existing directors of the Company
"Enlarged Group"	Northern Leisure and its subsidiary companies following the Offer being declared wholly unconditional
"Extraordinary General Meeting"	the extraordinary general meeting of the Company to be held at 1 Primrose Hill, Preston, Lancashire, PR1 4BX at 12 noon on 29 June 1999 and any adjournment thereof
"Fife"	Fife Group PLC
"Fife Group"	Fife Group PLC and its subsidiary undertakings (as such term is defined in the Companies Act 1985)
"Fife Share Option Scheme"	the Fife 1986 Executive Share Option Scheme
"Fife Shareholders"	holders of Fife Shares
"Fife Shares"	ordinary shares of 25p each in Fife
"First Closing Date"	29 June 1999, being the date of the Extraordinary General Meeting
"ING Barings"	ING Barings Limited, 60 London Wall, London EC2M 5TQ
"Independent Fife Directors"	Iain Bell and Michael Munro who are directors of Fife and do not have an interest in the Subscriptions
"London Stock Exchange"	London Stock Exchange Limited
"New Northern Leisure Shares"	the new Northern Leisure Shares to be allotted and issued, credited as fully paid, pursuant to the Offer and the Subscriptions
"Northern Leisure" or "Company"	Northern Leisure PLC
"Northern Leisure Group"	Northern Leisure and its subsidiary undertakings (as such term is defined in the Act)
"Northern Leisure Shareholders"	holders of Northern Leisure Shares
"Northern Leisure Share Option Schemes"	the Northern Leisure 1992 Share Option Scheme and the Northern Leisure PLC 1998 Executive Share Option Scheme
"Northern Leisure Shares"	ordinary shares of 10p each in Northern Leisure

"Northern Leisure Share Warrants"	convertible shares of 0.01p each in Northern Leisure to be issued in registered form pursuant to the Subscriptions and the Bonus Issue, the principal terms of which are set out in full in Part IV
"Offer"	the recommended offer to be made by ING Barings on behalf of Northern Leisure to Fife Shareholders to acquire Fife Shares on the terms and subject to the conditions set out in the Offer Document and, where the context admits, any subsequent revision, variation, extension or renewal thereof
"Offer Document"	the document dated 3 June 1999 containing, *inter alia*, details of the Offer
"Panel"	The Panel on Takeovers and Mergers
"Proposed Directors"	Adam Francis Mills, Peter Raymond McEnhill and John Harmer Pattisson, currently directors of Fife
"Qualifying Northern Leisure Shareholders"	the holders of Northern Leisure Shares whose names appear on the register of members on the Record Date
"Record Date"	close of business on the date on which the Offer is declared unconditional in all respects save for the condition relating to admission of the New Northern Leisure Shares to the Daily Official List
"Remuneration Committee"	in relation to the Company, its remuneration committee by whatever name known
"Second Interim Dividend"	the second interim dividend declared by the Board on 4 May 1999, subject to the Offer being declared wholly unconditional, of 3.5p (net) per Northern Leisure Share to be paid to Northern Leisure Shareholders on the register of members on the Record Date
"Singer & Friedlander"	Singer & Friedlander Limited, 21 New Street, Bishopsgate, London EC2M 4HR
"Subscriptions"	the subscriptions by the Proposed Directors and by Don Hanson and Clive Preston under the relevant Subscription Agreements
"Subscription Agreements"	the agreement dated 3 May 1999 between (1) the Proposed Directors and (2) the Company and the agreement dated 5 May 1999 (being the day after the announcement of the Offer) between (1) Don Hanson, (2) Clive Preston and (3) the Company under which the Proposed Directors, Don Hanson and Clive Preston have conditionally agreed to subscribe or procure that trusts, nominees or companies controlled by their family interests subscribe for New Northern Leisure Shares and Northern Leisure Share Warrants on the terms set out herein
"Thomson Brothers"	the trade and assets and associated liabilities of Thomson Brothers Limited and the share capitals of Glegg & Thomson Limited, J.O. Millar Partners Limited and Rosco Industrial Holdings Limited
"United Kingdom" or "UK"	the United Kingdom of Great Britain and Northern Ireland
"United States" or "US"	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia

PART II

General Information

1. Introduction

Northern Leisure's recent success has been derived from a focus on the acquisition and development of nightclubs in smaller towns and cities in the United Kingdom. The Board has now determined that it is desirable to accelerate the pace of growth of the Company through carefully targeted acquisitions in other areas of leisure which serve the mass market. The Board has thus decided to bring in new management with wider corporate skills and considerable experience in pursuing and integrating acquisitions, to effect this strategy.

On 4 May 1999, the Board announced the terms of an all-share recommended offer for Fife, valuing Fife at approximately £17.0 million,which would facilitate the appointment of Adam Mills and Ray McEnhill, currently executive directors of Fife, as chief executive and corporate development director of Northern Leisure respectively.

Nick Oppenheim, vice-chairman, will retire from his executive role upon completion of the Offer and intends to retire from the Board at the forthcoming Annual General Meeting.

Sandy Cassels will retire from the Board upon completion of the Offer and will be replaced as Chairman by Don Hanson. John Pattisson, who is currently non-executive chairman of Fife, will also become a non-executive director of Northern Leisure.

The Proposed Directors have undertaken, subject to the Offer being declared wholly unconditional, to subscribe or procure that nominees, trusts or companies controlled by their family interests subscribe £3.625 million in aggregate in the Company and Messrs. Hanson and Preston, existing Directors, have undertaken, subject to the Offer being declared wholly unconditional, to subscribe £1.375 million in aggregate in the Company.

Under the proposals announced by the Board on 4 May 1999, certain of which are subject to the approval of Northern Leisure Shareholders, Northern Leisure Shareholders on the register on the Record Date will, subject to completion of the Offer, participate in a bonus issue of 1 Northern Leisure Share Warrant for every 10 Northern Leisure Shares then held and receive a second interim dividend of 3.5p (net) per share instead of a final dividend.

As the proposed acquisition of Fife marks a change in direction in the acquisition strategy of Northern Leisure, and as the appointment of the Proposed Directors and other Board changes are conditional on the Offer becoming unconditional, the Board feels that, although unnecessary pursuant to the requirements of the London Stock Exchange, it is appropriate to seek approval of the Offer from Northern Leisure Shareholders in the form of Parts A, B and C of Resolution 1 to be proposed at the Extraordinary General Meeting.

2. Future strategic development of Northern Leisure

The successful growth experienced by Northern Leisure over the past eight years has been derived from a focus on the acquisition and development of nightclubs, generally located in smaller towns and cities in the United Kingdom. This policy was instigated in 1992 at a time when Northern Leisure's market capitalisation was less than £2 million and the Company was loss-making. Today Northern Leisure has a market capitalisation of approximately £180 million and operates more nightclubs than anyone else in the UK.

The Board is keenly aware of the opportunities for consolidation within the leisure sector and intends that Northern Leisure should be at the forefront of any such consolidation. Consequently, the Board has now determined that it is desirable for the Company, whilst continuing the development of its nightclubs business, to accelerate the pace of growth through carefully targeted acquisitions in other areas of leisure which serve the mass market. These acquisition plans will be best effected by combining the existing Board's operational management skills with new management with wider corporate and strategic skills and considerable experience in pursuing and integrating acquisitions.

To this end, the Board resolved to make the Offer so as to facilitate the appointment of Adam Mills and Ray McEnhill, executive directors of Fife, as chief executive and corporate development director respectively of Northern Leisure. Messrs. Mills and McEnhill were responsible for the acquisition policy which transformed National Express PLC into a substantial listed company and have considerable experience in pursuing and integrating acquisitions.

3. Changes to the Northern Leisure Board

Upon completion of the Offer, the following changes will be made to the Board:

— Don Hanson, currently a non-executive director of Northern Leisure, will become chairman. Mr Hanson was formerly a managing partner of Andersen Worldwide;

— Adam Mills, currently chief executive of Fife and formerly deputy chief executive of National Express, will become chief executive;

— Ray McEnhill, currently an executive director of Fife and formerly chief executive of National Express, will become corporate development director;

— John Pattisson, currently chairman of Fife and formerly an executive director of Hanson PLC, will become a non-executive director;

— Sandy Cassels, currently chairman of Northern Leisure, will retire from the Board; and

— Nicholas Oppenheim, currently vice-chairman of Northern Leisure, will retire from his executive role and intends to retire from the Board at the forthcoming Annual General Meeting whereupon John Pattisson will become non-executive vice-chairman.

Clive Preston, the existing managing director, and the six other directors of Northern Leisure will continue in their present roles.

4. The Offer

Principal Terms of the Offer

The Offer, being made by ING Barings on behalf of Northern Leisure as set out in the Offer Document, values the entire issued share capital of Fife (assuming full exercise of options under the Fife Share Option Scheme) at approximately £17.0 million and is being unanimously recommended by the Board of Fife.

The Offer, which is subject to the terms and conditions set out in the Offer Document, is being made on the following basis:

for every 17 Fife Shares	**8 New Northern Leisure Shares**

and so in proportion for any other number of Fife Shares held.

Full acceptance of the Offer, assuming full exercise of options under the Fife Share Option Scheme while the Offer remains open for acceptance, will result in the issue of approximately 9.9 million New Northern Leisure Shares, representing approximately 7.9 per cent. of the current issued share capital of Northern Leisure.

On the basis of Northern Leisure's share price of 172.5p on 30 April 1999, the Offer represents a premium of approximately 33.1 per cent. over the middle market price of a Fife Share at the close of business on 14 April 1999, being the last dealing day prior to the announcement of discussions of a possible offer being made for Fife, and a premium of approximately 23.0 per cent. over the middle market price of a Fife Share at the close of business on 30 April 1999, being the last dealing day before the announcement of the Offer.

On the basis of Northern Leisure's share price of 144.5p, as at 1 June, being the last practicable date prior to the posting of this document, the Offer represents a premium of 11.5 per cent. over the middle market price of a Fife Share at the close of business on 14 April 1999, being the last dealing day before the announcement of discussions of a possible offer being made by Northern Leisure for Fife.

Further Terms and Conditions of the Offer

The Fife Shares will be acquired by Northern Leisure fully paid and free from all liens, equities, charges, encumbrances and other interests and together with all rights attaching thereto, including the right to receive and retain all dividends and other distributions declared, made or paid hereafter, except for the interim dividend for the year ending 31 December 1999 of 1.2p (net) per Fife Share, payment of which is subject to the Offer becoming or being declared unconditional in all respects. This dividend will be paid to Fife Shareholders on the register on the Record Date, whether or not they accept the Offer.

The New Northern Leisure Shares to be issued in respect of the Offer, which may be held in uncertified form, will be issued credited as fully paid and will rank *pari passu* in all respects with the existing issued Northern Leisure Shares, save that holders of New Northern Leisure Shares shall not be entitled to participate in the Bonus Issue nor to receive the second interim dividend of 3.5p (net) per share being an equal amount to the final dividend per share paid for the financial year ended 31 August 1998, instead of a final dividend, details of which are set out in paragraph 6.

No fractions of a New Northern Leisure Share will be allocated to accepting Fife Shareholders. The New Northern Leisure Shares representing the aggregate of these fractional entitlements will be sold in the market and the net cash proceeds will be distributed pro rata to accepting Fife Shareholders entitled thereto, except that individual entitlements of less than £3.00 will be retained for the benefit of the Company.

The Offer is further conditional, *inter alia*, on admission of the New Northern Leisure Shares to the Daily Official List and the approval of Northern Leisure Shareholders at the Extraordinary General Meeting.

Irrevocable Undertakings

Northern Leisure has received, in aggregate, irrevocable undertakings to accept the Offer in respect of 52.9 per cent. of the issued share capital of Fife. Of these, 29.3 per cent. will cease to be binding if an offer is made by a third party which is in excess of 110 per cent. of the price offered by Northern Leisure and 9.9 per cent. will cease to be binding if a higher offer is made by a third party.

5. Subscriptions

Messrs. Mills, McEnhill, Hanson and Preston have conditionally subscribed (or agreed to procure that nominees, trusts or companies controlled by their family interests subscribe) for New Northern Leisure Shares at 172.5p per share and Northern Leisure Share Warrants at 45p per Share Warrant, on the basis of 1 Northern Leisure Share Warrant for every 3 New Northern Leisure Shares, in the following amounts:

	Total subscription amounts	*No. of New Northern Leisure Shares subscribed for*	*No. of Northern Leisure Share Warrants subscribed for*
Adam Mills	£2.0m	1,066,666	355,555
Ray McEnhill	£1.5m	800,000	266,666
Don Hanson	£0.875m	466,666	155,555
Clive Preston	£0.5m	266,666	88,888

Additionally, John Pattisson has similarly conditionally subscribed (or agreed to procure that his family interests subscribe) £0.125m for 72,463 New Northern Leisure Shares at 172.5p per share.

A total of £5.0m will be raised pursuant to the Subscriptions. The Subscriptions are conditional on the Offer being declared unconditional in all respects and on the approval of Northern Leisure Shareholders, and, where they relate to the Proposed Directors, on the approval of Fife Shareholders.

By virtue of their existing holdings of Fife Shares, Adam Mills and Ray McEnhill will each receive 641,568 New Northern Leisure Shares and John Pattisson will receive 82,351 New Northern Leisure Shares under the Offer.

The New Northern Leisure Shares to be issued in respect of the Subscriptions will be issued credited as fully paid and will rank *pari passu* in all respects with the existing issued Northern Leisure Shares, save that holders of New Northern Leisure Shares shall not be entitled to participate in the Bonus Issue nor to receive the second interim dividend details of which are set out in paragraph 6.

A total number of 866,664 Northern Leisure Share Warrants are subject to the Subscriptions. A summary of the terms of the Northern Leisure Share Warrants is set out in paragraph 6 and the proposed article which includes the full terms of the Share Warrants is set out in Part IV of this document.

6. Bonus Issue and Dividends

Under the terms of the Bonus Issue, Qualifying Northern Leisure Shareholders will receive 1 Northern Leisure Share Warrant for every 10 Northern Leisure Shares held at the Record Date. The issue of Share Warrants will achieve balance sheet flexibility by providing another source of cash to cover any future investments. The Bonus Issue is conditional upon the passing of Resolution 1 (relating to the Offer) and Resolution 2 relating to the Bonus Issue to be proposed at the Extraordinary General Meeting and to the Offer being declared unconditional in all respects.

If an existing holding of Northern Leisure Shares at the Record Date is not exactly divisible by ten, the resultant number of Northern Leisure Share Warrants issued to that person will be rounded down to the nearest whole number and a fractional entitlement to a Northern Leisure Share Warrant will arise. No fractions of a Northern Leisure Share Warrant will be allotted to Northern Leisure Shareholders. The Northern Leisure Share Warrants which represent the aggregate of these fractional entitlements will be sold in the market and the net cash proceeds will be distributed pro rata to Northern Leisure Shareholders entitled thereto, except that individual entitlements of less than £3.00 will be retained for the benefit of the Company.

The creation of the Northern Leisure Share Warrants requires changes to be made to the existing Articles of Association of the Company and to the notes thereto. The full terms of the Northern Leisure Share Warrants are set out in Part IV of this document.

In summary, each Northern Leisure Share Warrant will entitle the holder to subscribe for a Northern Leisure Share at a subscription price of 180p per share at any point between the date of issue and the seventh calendar anniversary thereof (or if that day is not a dealing day, the next dealing day thereafter). Adjustments may, however, be made to the subscription price or the conversion rate upon certain changes being made to the Company's share capital or upon a takeover offer being made for the Company's ordinary shares. Failure to exercise any Northern Leisure Share Warrants prior to the seventh anniversary of their issue shall result in them being redeemed by the Company for a nominal sum.

In normal circumstances the Northern Leisure Share Warrants shall not be eligible for any dividends. However, the Northern Leisure Shares to be issued on exercise of the Northern Leisure Share Warrants will be issued credited as fully paid and will rank *pari passu* in all respects with the existing issued Northern Leisure Shares.

Similar arrangements relating to transfer and transmission will apply to Northern Leisure Share Warrants as presently apply to Northern Leisure Shares. Northern Leisure Share Warrants will be eligible to be traded through the CREST system with effect from Admission. Participation in the CREST system is voluntary. Northern Leisure Shareholders may choose to hold their Northern Leisure Share Warrants in the form of definitive share certificates rather than in electronic form if they so wish. Share certificates will be despatched within 14 days of the Record Date.

On 4 May 1999 the Board declared a second interim dividend of 3.5p (net) per share instead of a final dividend, to be paid to Northern Leisure Shareholders on the register of members on the Record Date, payment of which is conditional on the Offer being declared unconditional in all respects. The Second Interim Dividend will be paid to Northern Leisure Shareholders on the fifth dealing day after the Record Date. New Northern Leisure Shares issued pursuant to the Subscriptions and the Offer shall not be entitled to this dividend.

For the foreseeable future the Board intends to maintain broadly the existing level of dividend per share. Should earnings per share increase in the future, the Board intends to move to a policy of distributing a dividend covered between 2½ and 3 times by profits after tax on ordinary activities. The dividend was covered 1½ times by profits after tax on ordinary activities in the year ended 31 August 1998.

7. Information on Northern Leisure

Northern Leisure currently owns and operates 69 nightclubs in 59 towns and cities throughout England, Scotland and Wales. Northern Leisure has expanded rapidly in recent years through the acquisition of independently owned nightclubs, typically in provincial, medium-sized towns. Northern Leisure's management aims to improve profitability in these units through the introduction of tight operational controls and through the benefit of economies of scale, in particular, in purchasing.

In the financial year ended 31 August 1998, Northern Leisure had turnover of £57.5m (1997: £34.7m) and profit before tax of £14.1m (1997: £8.5m). During the same period basic earnings per share were 9.0p in 1998 (1997: 6.1p) and net dividends per Northern Leisure Share were 5.75p (1997: 3.0p). Net assets as at 31 August 1998 were £61.6m, as stated in the published interim results for the six months ending 28 February 1999 set out on pages 30 to 36 of this document.

In the 26 weeks ended 28 February 1999, Northern Leisure had turnover of £35.7m (1998: £27.3m) and profit before tax of £8.0m (1998: £7.2m). During the same period basic earnings per share were 4.7p (1998: 4.7p) and net dividends per Northern Leisure Share were 2.25p (1998: 2.25p). Net assets as at 28 February 1999 were £65.1m.

Further financial information on Northern Leisure is contained in Part III of this document from which the above figures are extracted. Investors should read the whole document and not rely on the summarised information above.

8. Information on Fife

Fife formerly operated two divisions: a distribution division - operating in the industrial and oil-related markets; and an engineering division - comprising an electro-mechanical products and a components business. In respect of the year ended 31 December 1998, Fife reported turnover of £40.2 million and a loss before tax of £4.9 million after exceptional losses of £5.4 million. Net assets as at 31 December 1998 were £8.2 million.

In the circular to Fife Shareholders dated 22 July 1998, which contained the proposals for the appointment of Adam Mills and Ray McEnhill as directors and their investment in Fife, it was stated that the Fife board intended to bring forward opportunities to develop Fife vigorously in the interests of enhancing shareholder value. The subsequent strategic review of Fife's engineering and distribution businesses concluded that these businesses were unlikely to generate shareholder returns commensurate with Fife's status as a listed public company. Therefore, in the past nine months the board of Fife has undertaken and completed a disposal programme which has successfully realised value from all of Fife's former businesses. The disposal of Thomson Brothers, the last remaining operating business within the Fife Group was completed on 27 March 1999.

In the circular to Fife Shareholders on 9 March 1999 which set out details of the disposal of Thomson Brothers, the directors of Fife stated their intention to build a substantial publicly quoted company operating in the leisure and related sectors as they believed that these sectors offered significant growth prospects and consolidation opportunities.

As a result of its disposal programme (which since the end of its last financial year has involved the disposal of Precision Machining (Edinburgh) Limited on 1 March 1999 and Thomson Brothers on 25 March 1999), Fife does not currently carry on any significant trading activity and its assets principally comprise cash, property, investments and loan notes. The illustrative pro forma statement of net assets of Fife as at 31 December 1998 contained in the circular relating to the disposal of Thomson Brothers sent to Fife Shareholders on 9 March 1999 showed pro forma net assets of £12.1 million, of which £10.6 million comprised cash.

Further financial information on Fife is contained in Fife's published audited accounts for the year ended 31 December 1998 and the Fife circular to shareholders dated 9 March 1999 from which the above figures are extracted. Investors should read the whole of those documents and should not rely on the summarised information set out above.

Acceptance of the Offer will result in Fife Shareholders holding equity in Northern Leisure which, under an expanded executive management team led by Adam Mills and Ray McEnhill, intends to be well placed to take advantage of the available growth opportunities and to participate in any future strategic development and rationalisation of the leisure sector. Following the Offer, Fife Shareholders should also benefit from holding equity in a larger quoted company with substantially increased marketability.

9. Northern Leisure's current trading and its prospects

The following is the text of the quarterly statement for the three months ended 30 May 1999 announced to the London Stock Exchange on 3 June 1999:

"Quarterly Statement for the three months ended 30 May 1999
and Substantial Acquisition

Quarterly Statement

Trading during the quarter continued to improve although the trading environment remains competitive.

Sales totalled £19.1m (Q3 1998: £14.6m). Sales in the year to date have amounted to £54.7m compared with £41.9m at the same stage last year.

Sales in those businesses that traded both during this period and in the same period last year have increased by 3.1% and in the year to date have increased by 0.6%.

In each of the three-month periods since 1 September 1998 comparable sales have shown an improvement over the previous three-month period.

Since 1st September 1998 Northern Leisure has acquried 13 additional night-clubs (including those described below) at a total cost of £22.2m.

Substantial Acquisition

On 2nd June 1999 Northern Leisure acquired Unicorn Holdings Limited, which comprises 5 night-clubs, for a total consideration of £9.3m (including the costs of the acquisition) all paid in cash on completion.

The directors estimate the fair value of the net assets acquired to be £9.3m.

The directors expect that this acquisition will make a contribution to operating profits of £1.9m in a full year and a return on investment of 26% after the disposal of one business and the refurbishment of two others."

Following the completion of the Offer, the cash in Fife will initially be used to reduce borrowings before being utilised for further development of the nightclub business and expansion into other areas of leisure which serve the mass market.

10. Change of financial year end

The Company is changing its accounting reference date from 31 August to 30 June to recognise the start of a period of new senior management and a new strategic direction for the company. Hence audited accounts for the ten month period ending 4 July 1999 (being the first Sunday after 30 June 1999) will be produced and distributed in the normal way.

11. Listing, settlement and dealings

Application has been made to the London Stock Exchange for the New Northern Leisure Shares to be admitted to the Daily Official List. It is expected that listing will become effective and that dealings will commence on the London Stock Exchange in the New Northern Leisure Shares on the first dealing day following the day on which the Offer is declared unconditional in all respects (save for admission of the New Northern Leisure Shares to the Daily Official List). It is likely that some New Northern Leisure Shares will be issued after that date and, accordingly, listing of the New Northern Leisure Shares may become effective and dealings in them may commence on one or more subsequent dates.

Application has been made to the London Stock Exchange for up to 13,452,571 Northern Leisure Share Warrants to been admitted to the Daily Official List. Application has also be made for up to a further 12,525,930 Northern Leisure Shares to be admitted to the Daily Official List, in order that Northern Leisure Shares arising pursuant to the Offer (assuming full exercise of the options over Fife Shares) and the Subscriptions. It is expected that listing of the Northern Leisure Share Warrants will become effective and that dealings therein will commence on the London Stock Exchange the first dealing day following the day on which the Offer is declared unconditional in all respects (save for admission of the New Northern Leisure Shares to the Daily Official List).

PART III

Financial Information relating to Northern Leisure

Basis of preparation

The financial information set out below does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. Statutory accounts for Northern Leisure and its subsidiary undertakings for each of the three financial years ended 31 August 1998 have been delivered to the Registrar of Companies in England and Wales. The auditors of Northern Leisure, KPMG Audit Plc, Chartered Accountants and Registered Auditors, of 8 Salisbury Square, London, EC4Y 8BB made reports under section 235 of the Act in respect of each such set of statutory consolidated accounts and each such report was unqualified and did not contain a statement under section 237(2) of (3) of the Act. No other information in this document has been audited by KPMG Audit Plc.

The financial information given below has been extracted without material adjustment from the published audited consolidated accounts of Northern Leisure and its subsidiary undertakings for each of the three years ended 31 August 1998 and from the published interim results of Northern Leisure and its subsidiary undertakings for the six months ended 28 February 1999. Your attention is drawn to note 1 of the unaudited interim results set out on page 34 which explains certain changes in accounting policies adopted in preparing those results following the publication of recent financial reporting standards. No adjustment has been made to the financial information for the three years ended 31 August 1998 set out on pages 13 to 29 to reflect these changes.

The description of the bonuses paid by the company to the executive directors on pages 19 and 20 has been extracted from the Reports of the Remuneration Committee contained in the Annual Reports for the three years ended 31 August 1998.

Since the date of the published audited consolidated accounts of Northern Leisure for the year ended 31 August 1998, certain directors have resigned and certain new directors have been appointed. Accordingly the following information does not include details of the new directors' remuneration. Details of the dates of resignation and appointment are given below:

Don Hanson	Non-executive	appointed	1 September 1998
Edward Gilly	Non-executive	resigned	29 October 1998
Alan Robinson	Non-executive	resigned	29 October 1998
Andrew McIvor	Executive	appointed	29 October 1998
Brendan McLoughlin	Executive	appointed	29 October 1998
Peter Marks	Executive	appointed	29 October 1998
Matthew Streets	Executive	appointed	29 October 1998

1. Consolidated profit and loss accounts for the three periods ended 31 August

	Note	*1998 52 weeks £'000*	*1997 52 weeks £'000*	*1996 53 weeks £'000*
Turnover				
Continuing operations	5.2			
Ongoing operations		46,679	34,672	21,981
Acquired operations		10,788		
		57,467	34,672	21,981
Discontinued operations	5.2	—	—	4,871
		57,467	34,672	26,852
Cost of sales	5.2	(36,521)	(21,088)	(17,423)
Gross profit		20,946	13,584	9,429
Administrative expenses		(4,578)	(2,982)	(2,336)
Operating profit				
Continuing operations (before exceptional items)				
Ongoing operations		13,556	10,602	5,606
Exceptional item: costs incurred in takeover talks		(280)	—	—
		13,276	10,602	5,606
Acquired operations		3,092		
Continuing operations (after exceptional items)		16,368	10,602	5,606
Discontinued operations		—	—	1,487
		16,368	10,602	7,093
Profit/(loss) on sale of properties in continuing operations	5.2	—	(400)	(100)
Profit on sale of discontinued operations		—	—	107
Profit on ordinary activities before interest		16,368	10,202	7,100
Net interest payable and similar charges	5.6	(2,303)	(1,683)	(1,586)
Profit on ordinary activities before taxation		14,065	8,519	5,514
Tax on profit on ordinary activities	5.7	(3,473)	(2,278)	(785)
Profit for the financial year		10,592	6,241	4,729
Dividends	5.8	(7,097)	(3,269)	(2,057)
Retained profit for the financial year	5.19	3,495	2,972	2,672
Earnings per ordinary share	5.10	9.0p	6.1p*	4.9p*
Fully diluted earnings per ordinary share	5.10	8.9p	6.0p*	4.8p*
Dividends per ordinary share		5.75p	3.0p*	2.125p*

* As restated for one-for-one Bonus Share Issue.

2. Consolidated balance sheets as at 31 August

	Note	*1998* *£'000*	*1997* *£'000*	*1996* *£'000*
Fixed assets				
Tangible assets	5.11	137,489	97,768	52,313
		137,489	97,768	52,313
Current assets				
Stocks	5.13	788	465	249
Debtors: amounts due within one year	5.14	1,856	1,344	1,627
Debtors: amounts due after more than one year	5.14	1,471	317	729
Investments		59	79	118
Cash at bank and in hand		286	162	82
		4,460	2,367	2,805
Creditors falling due within one year				
Bank loans	5.16	—	—	1,000
Trade creditors		3,610	2,477	936
Other creditors	5.15	12,736	6,963	4,568
		16,346	9,440	6,504
Net current liabilities		(11,886)	(7,073)	(3,699)
Total assets less current liabilities		125,603	90,695	48,614
Creditors falling due after more than one year				
Bank loans and overdrafts	5.16	27,705	25,998	13,113
Provisions for liabilities and charges	5.17	—	184	266
		97,898	64,513	35,235
Equity capital and reserves				
Called up share capital	5.18	12,335	5,449	4,842
Share premium account	5.19	39,921	23,567	12,259
Revaluation reserve	5.19	13,197	13,197	13,197
Acquisition reserve	5.19	22,320	15,670	1,279
Special reserve	5.19	—	—	851
Profit and loss account	5.19	10,125	6,630	2,807
		97,898	64,513	35,235

3. Consolidated cash flow statement for the three periods ended 31 August

	Note	*1998* *52 weeks* *£'000*	*1997* *52 weeks* *£'000*	*1996* *53 weeks* *£'000*
Net cash inflow from operating activities	5.24	18,275	11,398	7,888
Returns on investments and servicing of finance				
Interest received		13	11	7
Interest paid		(2,400)	(1,463)	(1,580)
Bank fees on loan facilities		(112)	(95)	—
Net cash outflow from returns on investment and servicing of finance		(2,499)	(1,547)	(1,573)
Taxation				
Advanced corporation tax paid		(825)	(272)	(723)
Corporation tax paid		(1,398)	(250)	—
Tax paid		(2,223)	(522)	(723)
Capital expenditure and financial investment				
Purchase of tangible fixed assets		(5,489)	(4,182)	(588)
Purchase of investments		—	—	(58)
Sale of tangible fixed assets		1,835	2	—
Sale of investments		—	52	—
Net cash outflow from capital expenditure and financial investment		(3,654)	(4,128)	(646)
Acquisitions and disposals				
Purchases of businesses		(30,035)	(26,470)	(6,072)
Sale of businesses		—	—	9,655
Cost of disposal of discontinued operations		—	—	(412)
Net cash (outflow)/inflow from acquisitions and disposals		(30,035)	(26,470)	3,171
Equity dividends paid		(4,687)	(2,451)	(1,929)
Net cash (outflow)/inflow before financing		(24,823)	(23,720)	6,188
Financing				
Issue of share capital		24,154	12,424	80
Drawdown of loan facilities		1,707	12,233	—
Cost of issuing shares		(914)	(509)	—
Repayment of bank loans		—	—	(5,235)
Net cash inflow/(outflow) from financing		24,947	24,148	(5,155)
Increase in cash and cash equivalents	5.24B	124	428	1,033

4.1 Movements in shareholders' funds

	1998 *52 weeks* *£'000*	*1997* *52 weeks* *£'000*	*1996* *53 weeks* *£'000*
Profit for the financial year	10,592	6,241	4,729
Dividends	(7,097)	(3,269)	(2,057)
Retained profit for the financial year	3,495	2,972	2,672
New share capital issued (net of costs)	23,240	11,915	116
Capital reserve on acquisition of businesses	6,650	14,391	1,934
Net increase in shareholders' funds	33,385	29,278	4,722
Opening shareholders' funds	64,513	35,235	30,513
Closing shareholders' funds	97,898	64,513	35,235

4.2 Historical cost profits and losses

	1998 *52 weeks* *£'000*	*1997* *52 weeks* *£'000*	*1996* *53 weeks* *£'000*
Profit on ordinary activities before taxation	14,065	8,519	5,514
Realised revaluation deficit	—	—	(6,250)
Historical cost profit/(loss) on ordinary activities before taxation	14,065	8,519	(736)
Historical cost profit/(loss) for the year retained after taxation and dividends	3,495	2,972	(3,578)

4.3 Statement of total recognised gains and losses

	1998 *52 weeks* *£'000*	*1997* *52 weeks* *£'000*	*1996* *53 weeks* *£'000*
Profit for the financial year	10,592	6,241	4,729
Total recognised gains for the year	10,592	6,241	4,729

5. Notes

5.1 Principal accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material to the Group's financial information:

a) The accounts are prepared under the historical cost convention adjusted for the revaluation of certain freehold and leasehold properties and in accordance with the Companies Act 1985 and applicable Accounting Standards.

b) The trading results include transactions at operating units up to and including the nearest Sunday to 31st August. All other transactions are included up to 31st August. The trading results of subsidiaries and businesses acquired or sold in the period and requiring to be acquisition accounted are included from or to the respective dates of acquisition or sale.

c) On the acquisition of a subsidiary or business the book values of the assets are adjusted, if necessary, to reflect the directors' estimate of fair values. Any goodwill or capital reserve, being the difference that arises between the fair value of consideration paid for a subsidiary or business and the fair value of consideration paid for a subsidiary or business and the fair value placed upon the assets acquired, is dealt with through reserves as it arises. When subsidiaries or businesses are sold the profit on sale is calculated as the aggregate difference between the consideration receivable and the net assets of the subsidiaries or business sold and the goodwill or capital reserve relating to the acquisition of those subsidiaries or business previously eliminated against reserves.

d) Turnover represents admission receipts and amounts receivable from sales of goods and services supplied to customers, excluding value added tax.

e) Cost of sales includes all costs incurred at operating units together with central costs directly attributable to operations.

f) Depreciation is provided to write down the cost or valuation to estimated residual value (based on prices prevailing at the time of acquisition or subsequent valuation) of tangible fixed assets by equal instalments over their estimated lives as follows:

Plant and machinery	10-20 years
Fixtures, fitting sand equipment	3-10 years
Motor vehicles	4 years

Short leasehold properties where no rights of renewal exist under the Landlord and Tenant Acts are depreciated over the remaining period of the lease. Freehold, long leasehold and other short leasehold properties owned by the group are maintained to a high standard and accordingly the directors consider that the lives of these assets are so long and residual values, based on prices prevailing at the time of acquisition or subsequent valuation, are so high that depreciation is insignificant. Provision is made for any permanent diminution in value through the profit and loss account.

g) Expenditure on repairs, renewals and minor items of equipment is written off in the period in which it is incurred.

h) Amounts payable under operating leases are charged to the profit and loss account as they fall due.

i) The pension cost charge in respect of defined contribution schemes and employees' personal schemes represents contributions payable to such schemes in the accounting period.

j) The cost of fixed assets includes interest charged on directly attributable borrowings during the development phase of a business, other costs incurred prior to opening and launch costs. It has not been the policy of the group to capitalise interest or launch costs since 1991.

k) Stocks are included at the lower of cost and net realisable value.

l) The group provides for deferred taxation arising from timing differences to the extent that the liability is expected to crystallise in the foreseeable future.

m) Advance Corporation Tax ("ACT") recoverable by deduction from future corporation tax is carried forward within deferred tax or as ACT recoverable within debtors as appropriate.

n) Debt instruments are initially recorded at the net proceeds received after deducting issue costs. Issue costs are amortised over the life of the instrument and charged to interest to arrive at a constant cost of financing over the life of the instrument.

5.2 Turnover, profit on ordinary activities and net assets

A. Turnover and net assets

	Turnover			*Net Assets*		
	1998 52 weeks £'000	*1997 52 weeks £'000*	*1996 53 weeks £'000*	*1998 52 weeks £'000*	*1997 52 weeks £'000*	*1996 53 weeks £'000*
Continuing operations:						
Dancing	57,467	34,672	21,981	125,603	90,511	49,348
Funding	—	—	—	(27,705)	(25,998)	(14,113)
	57,467	34,672	21,981	97,898	64,513	35,235
Discontinued operation:						
Bowling	—	—	4,871	—	—	—
	57,467	34,672	26,852	97,898	64,513	35,235

B. Profit on ordinary activities before taxation

	Profit on ordinary activities before depreciation			*Depreciation*			*Profit on ordinary activities before taxation*		
	1998 52 weeks £'000	*1997 52 weeks £'000*	*1996 53 weeks £'000*	*1998 52 weeks £'000*	*1997 52 weeks £'000*	*1996 53 weeks £'000*	*1998 52 weeks £'000*	*1997 52 weeks £'000*	*1996 53 weeks £'000*
Continuing operations:									
Dancing	23,711	14,887	8,682	2,765	1,303	740	20,946	13,584	7,942
Property disposals	—	(400)	(100)	—	—	—	—	(400)	(100)
Administration	(4,431)	(2,903)	(2,236)	147	79	100	(4,578)	(2,982)	(2,336)
Total continuing operations	19,280	11,584	6,346	2,912	1,382	840	16,368	10,202	5,506
Discontinued operations:									
Bowling: trading	—	—	1,830	—	—	343	—	—	1,487
profit on sale	—	—	107	—	—	—	—	—	107
Net interest	(2,203)	(1,683)	(1,586)	—	—	—	(2,303)	(1,683)	(1,586)
	16,977	9,901	6,697	2,912	1,382	1,183	14,065	8,519	5,514

All turnover and profits arise in the UK. The operating profit of acquired operations is stated after charging £7,696,00 cost of sales and £nil administration expenses.

C. The operating result is stated after charging the following:

	1998 52 weeks £'000	1997 52 weeks £'000	1996 53 weeks £'000
Cost of sales: continuing operations	36,521	21,088	14,039
discontinued operations	—	—	3,384
	36,521	21,088	17,423

D. Profit/(loss) on disposal of properties in continuing operations:

	1998 52 weeks £'000	1997 52 weeks £'000	1996 53 weeks £'000
Profit on sale and lease back at York	478	—	—
Provision for loss on sale of property at Blackburn	(478)	—	—
Disposal of property at Preston	—	(500)	—
Other	—	100	(100)
	—	(400)	(100)

5.3 Profit on ordinary activities before taxation is stated after charging the following:

	1998 52 weeks £'000	1997 52 weeks £'000	1996 53 weeks £'000
Depreciation of tangible fixed assets*	2,912	1,382	1,183
Hire of plant and machinery	302	110	89
Other operating leases	1,288	715	525
Auditors' remuneration and expenses			
As auditors	57	40	56
Other fees paid to the auditors and their associates	108	26	61

Additionally during 1998 £50,500 (1997: £45,000, 1996: £nil) was paid to the auditors in connection with share issues. These costs were charged against the share premium account.

* This excludes the provision for loss on sale of property detailed in 5.2D above.

5.4 Staff numbers and costs

	1998 52 weeks Number	1997 52 weeks Number	1996 53 weeks Number
The average number of persons employed by the group, analysed by category, is as follows:			
Dancing	1,993	1,423	933
Administration	46	34	32
Discontinued operations	—	—	169
	2,039	1,457	1,134

The above number of employees includes, 1,013 part-time employees (1997: 718, 1996: 487)

	1998 52 weeks £'000	1997 52 weeks £'000	1996 53 weeks £'000
The aggregate payroll costs of these persons were as follows:			
Wages and salaries	9,148	5,760	5,171
Social security costs	607	369	336
Pension costs (see note 5.21)	70	72	91
Staff welfare and other personnel costs	31	17	20
	9,856	6,218	5,618

5.5 Directors' remuneration

	Year	*Salary/ Fees See notes 6&7*	*Benefits*	*Profit related bonus*	*Pension See note 8*	*Total*	*Profit on exercise of share options See note 5*	*Change in value of share options during the year See note 4*	*Total*
		£	£	£	£	£	£	£	£
Executive									
Niven Ballantyne	1998	60,371	5,524	49,899	—	115,794	51,975	(13,650)	154,119
	1997	60,500	6,200	34,750	—	101,450	—	57,337	158,787
	1996	55,750	6,192	11,173	—	73,115	—	9,000	82,115
Nicholas Oppenheim	1998	84,590	6,808	—	—	91,398	—	—	91,398
	1997	82,400	5,926	—	—	88,326	—	—	88,326
	1996	80,000	9,621	—	—	89,621	—	—	89,621
Clive Preston	1998	76,553	9,434	195,995	11,421	293,403	1,103,200	(86,450)	1,310,153
	1997	83,578	8,739	141,751	11,422	245,490	—	483,550	729,040
	1996	67,415	4,323	44,520	11,422	127,680	—	106,000	233,680
Graham Massey*	1996	71,578	3,304	—	—	74,882	83,870	—	158,752
Non executive									
Alexander Cassels	1998	25,000	—	—	—	25,000	—	—	25,000
	1997	20,000	—	—	—	20,000	—	—	20,000
	1996	20,000	—	—	—	20,000	—	—	20,000
Edward Gilly	1998	12,500	—	—	—	12,500	—	—	12,500
	1997	10,000	—	—	—	10,000	—	—	10,000
	1996	10,000	—	—	—	10,000	—	—	10,000
Allen Robinson**	1998	12,500	—	—	—	12,500	—	—	12,500
	1997	10,000	—	—	—	10,000	—	—	10,000
	1996	5,000	—	—	—	5,000	—	—	5,000
Robert Wickham	1998	12,500	—	—	—	12,500	—	—	12,500
	1997	10,000	—	—	—	10,000	—	—	10,000
	1996	10,000	—	—	—	10,000	—	—	10,000

Notes:

1. Non-executive directors receive remuneration as set out above. No additional committee fees are paid. Expenses incurred in the course of a non-executive director's duties are reimbursed.
2. All directors who received a bonus payment exceeded their financial targets.
3. All executive directors are provided with cars as part of their remuneration package and receive private health insurance for themselves and their families.
4. The value of a share option is taken to be the difference between the exercise price of the option and the market price of the shares at the end of the year multiplied by the number of shares subject to the option. The value of an option cannot fall below £nil.
5. Of the £1,103,200 and £51,975 (1996: £83,870) profit on exercise of share options £471,600 and £36,788 (1996: £50,870) respectively had accrued in earlier years.
6. Included under Salary/Fees in 1996 for Graham Massey is a £20,000 termination payment and in 1997 for Clive Preston and Niven Ballantyne are one-off payments of £10,000 and £3,000 respectively.
7. Nicholas Oppenheim waived £15,410 (1997: £7,600, 1996: £5,000) of his remuneration.
   A table setting out details of share options held by directors is given in note 5.20.
8. The company rewards the executive directors on the basis of a total remuneration package comprising salary and pension. A director nominates from the remuneration the amount when he wishes to be regarded as pension and the company then makes a contribution on his behalf. Benefits actually payable are not related to the final remuneration of the member and contributions are subject to the usual Inland Revenue caps.

* resigned 14 May 1996
** appointed a director on 29 February 1996

Performance related bonus schemes

Bonuses are paid by the company to executive directors, other than Nicholas Oppenheim, as well as to other senior management based upon the company having met performance targets. The performance targets for the executive directors are approved by the Remuneration Committee before being implemented.

For the years ended 31 August 1997 and 1996 the target for Clive Preston and Niven Ballantyne was based upon the company achieving an improvement in year-on-year operating profit adjusted for various items outside their control. Clive Preston received 4 per cent. and Niven Ballantyne 1 per cent. of the calculated increase. Six other senior managers were also included in the scheme receiving ½ per cent.

each. The bonus scheme for the financial year ended 31 August 1998 has been changed to align participants' long term objectives with the interest of the shareholders and is based upon the group achieving an increase in year-on-year fully diluted earnings per share. Clive Preston and Niven Ballantyne receive the increase on 1,750,000 and 750,000 notional shares respectively. Six other senior managers are also included in the scheme receiving the increase on 5,500,000 notional shares in aggregate. Nicholas Oppenheim does not participate in the bonus scheme.

The bonus schemes are non-contractual and the Remuneration Committee reviews annually their effectiveness on the profitability of the company.

Payment is made monthly with participants electing for between 25 per cent. and 75 per cent. of the bonus to be paid in cash with the balance taken as shares in the company. Shares acquired as part of the bonus payment must be retained until 31 August 1999 for bonuses earned prior to 31 August 1998 and for an average of two and a half years for bonuses earned after that date. These shares are bought on the open market by the company on behalf of the participants and in the case of the directors of the company these shares are bought at six monthly intervals after publication of the interim and final results.

On average such performance related payments account for approximately 49 per cent. of the total remuneration of the executive directors in 1998 (1997: 41 per cent, 1996: 15 per cent).

5.6 Net interest payable and other similar charges

	1998	*1997*	*1996*
	52 weeks	*52 weeks*	*53 weeks*
	£'000	*£'000*	*£'000*
On bank loans and overdrafts	2,256	1,634	1,545
Interest receivable	(13)	(11)	(7)
Fees	60	60	48
	2,303	1,683	1,586

5.7 Tax on profit on ordinary activities

	1998	*1997*	*1996*
	52 weeks	*52 weeks*	*53 weeks*
	£'000	*£'000*	*£'000*
UK corporation tax at 31% (1997:32.2%; 1996:33%)	3,992	2,434	633
Deferred taxation (see note 5.17)	(519)	(156)	375
ACT recoverable previously written off	—	—	(223)
	3,473	2,278	785

The charge to UK corporation tax is lower than the full theoretical charge due to the group benefiting from accelerated capital allowances that are not expected to reverse in the foreseeable future.

5.8 Dividends

	1998	*1997*	*1996*
	52 weeks	*52 weeks*	*53 weeks*
	£'000	*£'000*	*£'000*
Increase in 1997 dividend	33	—	—
Interim of 2.25p (1997: 1.25p*; 1996: 1.0p*) per ordinary share	2,747	1,362	968
Proposed final dividend of 3.5p (1997: 1.75p*; 1996: 1.125p*) per ordinary share	4,317	1,907	1,089
	7,097	3,269	2,057

* restated following one-for-one bonus issue

5.9 Profit for the year for the company

	1998	*1997*	*1996*
	52 weeks	*52 weeks*	*53 weeks*
	£'000	*£'000*	*£'000*
Northern Leisure PLC	6,026	976	1,161

As provided by Section 230 of the Companies Act 1985, a separate profit and loss account is not presented for Northern Leisure PLC.

5.10 Earnings per share

Earnings per ordinary share for the 52 weeks ended 31st August, 1998 are calculated on the basis of a weighted averaged number of ordinary shares in issue of 117,241,075 (1997: 101,527,136*, 1996: 96,487,000*) and on the profit after taxation attributable to ordinary shareholders of £10,592,000 (1997: £6,241,000, 1996: £4,729,000)

Fully diluted earnings per share for the 52 weeks ended 31st August, 1998 are calculated on the basis of 120,836,299 (1997: 107,308,620*, 1996: 97,566,702*) ordinary shares taking into account the outstanding 1992 Share Option Scheme options and 'A' warrants and earnings of £10,749,000 (1997: £6,459,000, 1996: £4,758,000) taking into account the interest benefit that would arise were the shares issued and the warrants exercised, as at 1st September 1997.

* Restated following one-for-one bonus issue

5.11 Tangible fixed assets

	Freehold £'000	*Long leasehold* £'000	*Short leasehold* £'000	*Fixtures, fittings and equipment* £'000	*Total* £'000
Cost or valuation					
At 1 September 1995	31,874	3,585	9,110	14,767	59,336
Additions	5,374	2,393	9	2,117	9,893
Transfers			192	(192)	—
Disposals	(3,924)	(1,155)	—	(7,139)	(12,218)
At 31 August 1996	33,324	4,823	9,311	9,553	57,011
Depreciation/Provisions					
At 1 September 1995	—	—	—	6,854	6,854
Charge for the year	—	—	—	1,183	1,183
Disposals	—	—	—	(3,339)	(3,339)
At 31 August 1996	—	—	—	4,698	4,698
Cost or valuation					
At 1 September 1996	33,324	4,823	9,311	9,553	57,011
Additions	18,244	2,711	17,878	8,006	46,839
Disposals	—	—	—	(15)	(15)
At 31 August 1997	51,568	7,534	27,189	17,544	103,835
Depreciation/Provisions					
At 1 September 1996	—	—	—	4,698	4,698
Charge for the year	—	—	—	1,382	1,382
Disposals	—	—	—	(13)	(13)
At 31 August 1997	—	—	—	6,067	6,067
Cost or valuation					
At 1 September 1997	51,568	7,534	27,189	17,544	103,835
Additions	24,345	3,606	4,984	11,683	44,618
Transfers	(310)	(1,058)	1,368	—	—
Disposals	(1,225)	—	—	(740)	(1,965)
At 31 August 1998	74,378	10,082	33,541	28,487	146,488
Depreciation/Provisions					
At 1 September 1997	—	—	—	6,067	6,067
Charge for the year	478	—	—	2,912	3,390
Disposals	—	—	—	(458)	(458)
At 31 August 1998	478	—	—	8,521	8,999
Net book value					
At 31 August 1998	73,900	10,082	33,541	19,966	137,489
At 31 August 1997	51,568	7,534	27,189	11,477	97,768
At 31 August 1996	33,324	4,823	9,311	4,855	52,313

In 1989 and 1990 the group capitalised interest on construction projects. Since then no further interest has been capitalised. An aggregate of £331,000 (1997: £331,000, 1996: £331,000) such interest was capitalised and is included in the cost of fixed assets. This interest has been taken as a deduction in arriving at profits subject to corporation tax.

Land and Buildings are carried at directors' valuation on an open market value basis for existing use of the underlying businesses as at 31 August 1994 and acquisitions are carried at fair value on acquisition.

The net book value at historical cost of the group's fixed assets can be determined by the elimination of the undermentioned revaluation surplus from the figures included in the table above:

	1998	*1997*	*1996*
	£'000	*£'000*	*£'000*
Freehold	11,023	11,023	11,023
Long leasehold	1,130	1,130	1,130
Short leasehold	1,094	1,094	1,094
	13,247	13,247	13,247

5.12 Investments

Subsidiary Undertakings

The company's principal subsidiary undertaking (which has been consolidated into these accounts) is listed below together with details of its business. The share capital consists of ordinary shares all of which are wholly owned. This subsidiary is incorporated in the United Kingdom and is registered in England and Wales.

Company	*Nature of business*	*Country of incorporation and operation*
Northern Leisure Inc. PLC	Leisure Operator	UK

Unlisted Investments	*£'000*
Cost and net book value	
At 1 September 1995	60
Additions	58
Transfer	(118)
At 31 August 1996	—

The unlisted investments were transferred at cost to current assets.

5.13 Stocks

	1998	*1997*	*1996*
	£'000	*£'000*	*£'000*
Goods held for resale and consumption	788	465	249

The replacement cost of stocks is not significantly different from their balance sheet values.

5.14 Debtors

	1998	*1997*	*1996*
	£'000	*£'000*	*£'000*
Due within one year:			
Other debtors	44	11	49
Prepayment and accrued income	1,812	1,333	1,578
	1,856	1,344	1,627
Due after more than one year:			
ACT recoverable	1,079	142	623
Prepayments and accrued income	392	175	106
	1,471	317	729
	3,327	1,661	2,356

5.15 Other Creditors

	1998	*1997*	*1996*
	£'000	*£'000*	*£'000*
Corporation tax	2,642	1,134	323
Other taxes and social security	2,999	1,644	687
Wages and related costs	13	5	3
Accruals	2,765	1,769	1,763
Proposed dividend	4,317	1,907	1,089
Other creditors	—	504	703
	12,736	6,963	4,568

5.16 Bank loans and overdrafts

On the 13th August 1998 the existing facilities were increased. The increased £70 million facilities expire on 30th September 2002. The bank loans and overdrafts were and are secured by a fixed and floating charge over the assets of the group and interest is payable at a rate which varies with LIBOR. The bank loans and overdrafts are borrowed by Northern Leisure Inc PLC and guaranteed by Northern Leisure PLC. The loans and overdrafts are repayable in instalments as follows:

	1998	*1997*	*1996*
	£'000	*£'000*	*£'000*
Within one year	—	—	1,000
One to two years	—	—	1,300
Between two and five years	27,705	—	11,813
After more that five years	—	25,998	—
	27,705	25,998	14,113

5.17 Provisions for liabilities and charges

	Deferred taxation
	£'000
At 1 September 1995	119
Charge for the year to profit and loss account	152
Advance Corporation Tax offset	(5)
At 1 September 1996	266
Charge for the year to profit and loss account	(156)
Advance Corporation Tax offset	74
At 31 August 1997	184
Charge for the year to profit and loss account	(519)
Advance Corporation Tax recoverable offset	335
At 31 August 1998	—

The amounts provided for deferred taxation and the amounts not provided at a corporation tax rate of 31% (1997: 31%, 1996: 33%) are set out below:

	1998		*1997*		*1996*	
	Provided	*Unprovided*	*Provided*	*Unprovided*	*Provided*	*Unprovided*
	£'000	*£'000*	*£'000*	*£'000*	*£'000*	*£'000*
Difference between accumulated depreciation and capital allowances	—	1,603	519	474	675	65
Advance Corporation Tax recoverable	—	—	(335)	—	(409)	—
	—	1,603	184	474	266	65

No provision for deferred taxation has been made in respect of the surplus arising on the revaluation of properties since there are capital losses available for offset and therefore it is not expected that a liability will crystallise in the foreseeable future.

5.18 Share capital

	1998 Number	*1998 £'000*	*1997 Number*	*1997 £'000*	*1996 Number*	*1996 £'000*
The authorised and issued share capital of the company is as follows:						
Authorised						
Ordinary shares of 10p each	138,750,000	13,875	64,402,000	6,440	64,402,000	6,440
Issued and Fully Paid						
Ordinary shares of 10p each	123,352,348	12,335	54,486,906	5,449	48,417,588	4,842

	Number of shares issued	*Price paid per share*	*Fair value of consideration £'000*
Shares issued during the three years were as follows:			
53 weeks ended 31 August 1996			
Purchase of business	32,727	Not applicable	36
Exercise of share options	241,000	15.5p	37
	91,896	46p	43
	365,623		116
52 weeks ended 31 August 1997			
Placing and Open Offer	5,227,918	218p	11,397
Exercise of share options:	6,916	46p	3
	30,184	63p	19
Exercise of 'A' Warrants	804,300	125p	1,005
	6,069,318		12,424
52 weeks ended 31 August 1998			
Placing and Open Offer	5,382,736	400p	21,531
One-for-one Bonus Issue	61,042,307	—	—
Exercise of share options:	197,382	46p	91
	3,750	63p	2
	47,417	89p	42
	85,334	31.5p*	27
	110,000	44.5p*	49
Exercise of 'A' Warrants	924,116	Prices between 143.750p - 240.625p	1,742
	1,072,400	62.5p*	670
	68,865,442		24,154

* Exercised after the one-for-one bonus issue

On 15th June, 1998 the company made a one-for-one Bonus Issue.

Details of the warrants and options in respect of ordinary shares outstanding as at 31st August, 1998 are as follows:

	Number outstanding	*Price payable per share*	*Date exercisable*
'A' Warrants	1,232,154	Prices between 71.875p - 120.313p	1991-1999
1992 Share Option Scheme			
Issued 1994/5	104,868	31.5p	1996-1998
Issued 1995/6	181,702	44.5p	1997-1999
Issued 1996/7	996,500	77.0p	1998-2000
Issued 1997/8	1,080,000	156.25p	1999-2001
1998 Executive Share Option Scheme - Super Options issued 1997/8	3,018,000	218.25p	2003-2008

5.19 Reserves

	Share premium account £'000	*Revaluation reserve* £'000	*Special reserve* £'000	*Capital Redemption reserve* £'000	*Acquisition reserve* £'000	*Profit and loss account* £'000
As at 1 September 1995	13,930	6,947	967	53	1,866	6,269
Shares issued	91	—	—	—	—	—
Realised revaluation deficit*	—	6,250	—	—	—	(6,250)
Transfer	—	—	(116)	—	—	116
Capitalisation of reserves	(1,762)	—	—	(53)	(2,521)	—
Acquisition of businesses	—	—	—	—	1,934	—
Retained profit for the year	—	—	—	—	—	2,672
At 31 August 1996	12,259	13,197	851	—	1,279	2,807
Shares issued	11,308	—	—	—	—	—
Transfer	—	—	(851)	—	—	851
Acquisition of business	—	—	—	—	14,391	—
Retained profit for the year	—	—	—	—	—	2,972
At 31 August 1997	23,567	13,197	—	—	15,670	6,630
Shares issued	22,500	—	—	—	—	—
Bonus issue	(6,146)	—	—	—	—	—
Acquisition of business	—	—	—	—	6,650	—
Retained profit for year	—	—	—	—	—	3,495
At 31 August 1998	39,921	13,197	—	—	22,320	10,125

In 1996 an amount equal to the increase in share capital and the share premium account of £116,000 has been transferred from the special reserve to the profit and loss account in accordance with undertakings given to the High Court when the reserve was created.

In 1997 the increase in the share capital and the share premium account was greater than the balance on the special reserve, accordingly the balance of £851,000 has been transferred from the special reserve to the profit and loss account in accordance with undertakings given to the High Court when the reserve was created.

A total of £24,238,000 (1997: £17,588,000, 1996: £3,197,000) in respect of premium and £736,000 (1997: £736,000, 1996: £736,000) of goodwill arising on the acquisition of subsidiaries and businesses, net of goodwill attributable to subsidiaries or businesses sold, has been credited to reserves since the formation of the Company.

*The realised revaluation deficit arises on the disposal of bowling.

5.20 Directors' Interests

The interests of the directors in the ordinary shares of the company, as shown in the register maintained under the provisions of Section 325 of the Companies Act 1985, are as shown below. Unless otherwise stated the interests are beneficial.

	No. of Ordinary shares 31 August 1998	*1 September 1997 as restated**
Alexander Cassels	—	—
Niven Ballantyne	32,596	47,200
Edward Gilly	3,973,334	5,600,000
Nicholas Oppenheim	14,355,516	17,312,928
- non beneficial	204,338	634,368
Clive Preston	486,192	500,612
Allen Robinson	10,000	—
- non beneficial	538,842	—
Robert Wickham	20,000	16,000

* Restated for one-for-one Bonus Issue

The beneficial interests of Edward Gilly and the non-beneficial interest of Allen Robinson cover the same shares as the beneficial interests of J.O. Fairfax and family. Nicholas Oppenheim is interested in 1,232,154 'A' Warrants with a weighted average exercise price of 94.2p and which expire on various dates between 28th October 1998 and 30th December 1999.

The interests of the directors in the company's share option schemes as restated following the one-for-one Bonus Issue are set out in the table below:

	Share Option Scheme	*At start of year*	*Granted during year*	*Exercised during year*	*At end of year*	*Exercise price*	*Date from which exercisable*	*Expiry date*
Niven Ballantyne	1992:	45,000*		45,000*	—	44.5p*		
		60,000*		—	60,000	77p*	11.10.98	10.10.2000
			60,000*	—	60,000	156.25p*	30.10.99	29.10.2001
	1998 Super:		230,000	—	230,000	218.25p	16.06.98	15.06.2008
Clive Preston	1992:	320,000*		320,000*	—	23p*		
		80,000*		80,000*	—	31.5p*		
		80,000*		80,000*	—	44.5p*		
		380,000*		—	380,000	77p*	11.10.98	10.10.2000
			180,000*	—	180,000	156.25p*	30.10.99	29.10.2001
	1998 Super:		640,000	—	640,000	218.25p	16.06.98	15.06.2008

The market price of the shares at 31 August 1998 was 103.5p (1997: 126.25p*). The shares traded during the year within the range 103.5p to 298.25p*.

*Restated for one-for-one bonus issue

5.21 Pension Schemes

In April 1993 the group introduced a total remuneration package payment system for all employees enabling individuals to make their own arrangements with regard to pensions.

The Company makes contributions to a defined contribution executive scheme on behalf of certain directors and to personal pension plans on behalf of other full-time employees who elect for such contributions to be made as part of their total remuneration package. The executive scheme is administered by Trustees separately from the affairs of the group.

5.22 Financial Commitments

Commitments under operating leases to pay rentals during the year following the year of these accounts are given below, analysed according to the period in which each lease expires.

	1998		*1997*		*1996*	
	Land and buildings £'000	*Motor vehicles £'000*	*Land and buildings £'000*	*Motor vehicles £'000*	*Land and buildings £'000*	*Motor vehicles £'000*
Expiring within 1 year	—	6	—	30	—	—
Expiring in years 2-5	90	115	90	60	90	83
Expiring thereafter	1,233	—	816	—	333	—
	1,323	121	906	90	423	83

The group had £4,430,000 capital commitments (1997: £1,330,000, 1996: £nil)

5.23 Contingent Liabilities

Guarantees for contractual payments have been provided by third parties on behalf of group companies. In the event of contractual default, counter indemnification of £322,000 would be payable.

The company has fully guaranteed the group's bank borrowings.

5.24 Cash Flow Statements

A. Reconciliation of operating profit to net cash inflow from operating activities

	1998 52 weeks £'000	*1997 52 weeks £'000*	*1996 53 weeks £'000*
Operating profit	16,368	10,602	7,093
Profit on sale of investments	—	(13)	—
Depreciation on tangible fixed assets	2,912	1,382	1,183
Provision against investments	20	—	—
(Increase)/Decrease in stocks	(5)	57	114
(Increase)/Decrease in debtors	(333)	287	(164)
Increase in trade creditors	1,133	1,541	326
(Decrease) in other creditors	(1,820)	(2,458)	(664)
Net cash inflow from operating activities	18,275	11,398	7,888

Certain movements in assets and liabilities disclosed above differ from the movements shown by the consolidated balance sheet as the result of accruals, prepayments and the purchase of businesses.

B. Reconciliation of net cash flow to movements in net debt

	1998 52 weeks £'000	*1997 52 weeks £'000*	*1996 53 weeks £'000*
Increase/(Decrease) in cash in the period	124	428	1,033
Cash flow from (increase)/decrease in debt	(1,707)	(12,233)	5,235
Movement in net debt in the period	(1,583)	(11,805)	6,268
Net debt at beginning of year	(25,836)	(14,031)	(20,299)
Net debt at end of year	(27,419)	(25,836)	(14,031)

C. Analysis of net debt

	At 31 August 1996 £'000	*Cash flows £'000*	*At 31 August 1997 £'000*	*Cash flows £'000*	*At 31st August 1998 £'000*
Cash at bank and in hand	82	80	162	124	286
Overdrafts	(348)	348	—	—	—
	(266)	428	162	124	286
Debt due after one year	(12,765)	(13,233)	(25,998)	(1,707)	(27,705)
Debt due within one year	(1,000)	1,000	—	—	—
	(14,031)	(11,805)	(25,836)	(1,583)	(27,419)

D. Purchase of businesses

	1998 £'000	*1997 £'000*	*1996 £'000*
Net assets acquired:			
Tangible fixed assets (at fair value)	38,681	42,857	8,800
Stocks	318	273	59
Debtors	136	438	76
Cash	9	515	53
Creditors	(2,450)	(2,707)	(893)
	36,694	41,376	8,095
Satisfied by:			
Cash and shares allotted	30,044	26,985	6,161
Capital reserve	6,650	14,391	1,934

The fair value of the tangible assets acquired other than through company purchases has been assessed on the basis of open market value without any regard to the vendor's book value. The net book value of the fixed assets acquired through company purchases of £7,015,000 (1997: £7,837,000, 1996: £1,610,000) was increased on acquisition to £9,505,000 (1997: £12,754,000, 1996: £3,487,000). No further adjustments were made to book values.

Analysis of the net outflow of cash in respect of the purchase of businesses:

	1998 £'000	*1997 £'000*	*1996 £'000*
Cash consideration	30,044	26,985	6,125
Cash acquired	(9)	(515)	(53)
Net Outflow	30,035	26,470	6,072

E. Sale of discontinued operations

Net assets disposed of:

	1998 £'000	*1997 £'000*	*1996 £'000*
Fixed assets	—	—	8,879
Stocks	—	—	257
Cash	—	—	22
	—	—	9,158
Cost of disposal	—	—	412
	—	—	9,570
Cash received	—	—	(9,677)
Profit on disposal of discontinued operations	—	—	(107)

Unaudited interim results

Set out below is the full text of the unaudited interim statement for the six months to 28 February 1999 approved by the Directors of Northern Leisure on 24 March 1999. As set out in note 1 on page 34, the unaudited interim results have been prepared under different accounting policies from those adopted in preparing the financial information for the three years ended 31 August 1998 set out on pages 13 to 29.

"Northern Leisure PLC Interim Results for the six months ended 28 February 1999

Profit before tax increased to £8.0m (1998:£7.2m), fully diluted earnings per share improved marginally to 4.7p (1998:4.6p*†) and an unchanged interim dividend of 2.25p (1998:2.25p*) will be paid on 29 April 1999.

Sales increased by 31% to £35.7m (1998: £27.3) but sales in those businesses that traded both in the period under review and in the comparable period last year declined by 0.9%. Trading was quiet during the first part of the period but improved considerably during January and February. Comparable sales increased by 5.9% in February.

Since September 1998, 7 outlets have been acquired for a total consideration of £9.9m and Northern Leisure intends to exercise an option to acquire an additional outlet for a consideration of £3.0m on 7 April 1999. These acquisition will contribute substantially more to profitability during the second six months of the year than in the period under review as they will operate under Northern Leisure's ownership for the whole of that six month period.

Refurbishment work has been carried out at 13 units during the period and it is expected that work will be carried out at a similar number of outlets prior to 31 August 1999.

Northern Leisure's plans for the millennium celebrations are now well advanced: It is expected that profits in December 1999 will outweigh those earned in a normal year by a very considerable margin.

Offers, subject to planning consent, have been received for the business at Blackburn, which is closed. These offers are in excess of book value as at 28 February 1999.

Following the implementation of FRS10 your board has restated land and buildings at cost. The adoption of FRS10 has resulted in negative goodwill being recognised within fixed assets. Hence, the revaluation reserve and the acquisition reserve have been eliminated. Overall these changes have resulted in shareholders funds being reduced by £36.3m (1998: £36.3m) (see note 1).

Recent stronger trading and improving margins, acquisitions made since 1 September 1998 and the availability of further acquisition opportunities on attractive terms make your board confident that the outcome for the remainder of the year will be most satisfactory. In addition, your board continues to explore strategic opportunities to maximise shareholder value.

† Restated under FRS14

* Restated for 1:1 bonus issue on 16 June 1998

Unaudited consolidated profit and loss account

for the 26 weeks ended 28 February 1999

	Notes	26 weeks ended 28 February 1999 £'000	26 weeks ended 1 March 1998 £'000	52 weeks ended 31 August 1998 £'000
Turnover	2			
Continuing operations				
Ongoing operations		34,016	27,290	57,467
Acquired operations		1,648		
		35,664	27,290	57,467
Cost of sales		(23,720)	(16,744)	(36,521)
Gross profit		11,944	10,546	20,946
Administrative expenses		(2,495)	(2,065)	(4,578)
Operating profit		9,449	8,481	16,368
Continuing operations				
Ongoing operations		8,937	8,481	16,648
Exceptional item: Costs incurred in take over talks		—	—	(280)
Acquired operations		512		
		9,449	8,481	16,368
Profit/(loss) on sale of properties in continuing operations		—	—	—
Profit on ordinary activities before interest		9,449	8,481	16,368
Net interest payable	3	(1,430)	(1,273)	(2,303)
Profit on ordinary activities before taxation	2	8,019	7,208	14,065
Tax on profit on ordinary activities	4	(2,205)	(1,946)	(3,473)
Profit for the financial period		5,814	5,262	10,592
Dividends	5	(2,796)	(2,772)	(7,097)
Retained profit for the financial period		3,018	2,490	3,495
Earnings per ordinary share	6	4.7p	4.7p*†	9.0p
Fully diluted earnings per ordinary share	6	4.7p	4.6p*†	8.9p†
Dividends per ordinary share		2.25p	2.25p*	5.75p*

† As restated under FRS 14

* As restated for one-for-one bonus share issue

Unaudited consolidated balance sheet

at 28 February 1999

	28 February 1999 £'000	*31 August 1998 £'000*
Fixed assets	112,008	101,186
Current assets		
Stocks	851	788
Debtors: amounts due within one year	3,600	1,856
Debtors: amounts due after more than one year	226	1,471
Investments	48	59
Cash at bank and in hand	310	286
	5,035	4,460
Creditors: amounts falling due within one year		
Trade creditors	2,248	3,610
Other creditors	12,895	12,736
	15,143	16,346
Net current liabilities	(10,108)	(11,886)
Total assets less current liabilities	101,900	89,300
Creditors: amounts falling due after more than one year		
Bank loans and overdrafts	36,819	27,705
Net assets	65,081	61,595
Equity capital and reserves		
Called up share capital	12,402	12,335
Share premium account	40,322	39,921
Profit and loss account	12,357	9,339
	65,081	61,595

Unaudited consolidated cash flow statement

for the 26 weeks ended 28 February 1999

	Note £'000	26 weeks ended 28 February 1999 £'000	52 weeks ended 31 August 1998 £'000
Net cash flow from operating activities	7	10,340	18,275
Returns on investments and servicing of finance			
Interest paid		(1,113)	(2,400)
Interest received		—	13
Bank fees on loan facilities		(75)	(112)
Net cash (outflow) from returns on investments and servicing of finance		(1,188)	(2,499)
Taxation			
Corporation tax paid		(82)	(1,398)
Advance corporation tax paid		(1,766)	(825)
Tax paid		(1,848)	(2,223)
Capital and expenditure and financial investments			
Purchase of tangible fixed assets		(5,623)	(5,489)
Sale of tangible fixed assets		—	1,835
Net cash outflow from capital expenditure and financial investments		(5,623)	(3,654)
Acquisitions and disposals			
Purchases of businesses		(6,917)	(30,035)
Net cash outflow from acquisitions and disposals		(6,917)	(30,035)
Equity dividends paid		(4,322)	(4,687)
Net cash outflow before financing		(9,558)	(24,823)
Financing			
Issue of ordinary share capital		468	24,154
Drawdown of loan facilities		9,114	1,707
Expenses paid in connection with share issue		—	(914)
Net cash inflow from financing		9,582	24,947
Increase in cash		24	124

Notes

(forming part of the financial statements)

1. Accounting policies

The interim report has been prepared using accounting policies consistent with those adopted by the Group in its financial statements for the year ended 31 August 1998, except as detailed below:

Land and buildings have been restated to historic cost. Previously all properties owned prior to 31 August 1994 were stated at valuation. The effect of this change, which has been treated as a prior year adjustment, has been to reduce shareholders funds by £13,247,000. Fixed assets have been reduced by £13,247,000, the revaluation reserve of £13,197,000 has been eliminated and £50,000 relating to the costs of the revaluation have been charged to prior years profit and loss account. The directors believe this policy enables a more meaningful assessment of shareholder returns, particularly following the changes resulting from FRS10.

Further changes were necessary following the implementation of new accounting standards FRS10 and FRS14 relating to goodwill, negative goodwill and earnings per share. Comparative amounts have been adjusted as appropriate.

The adoption of FRS10 has resulted in negative goodwill being recognised within fixed assets. Previously it was included as acquisition reserve. The acquisition reserve has been eliminated. Goodwill of £736,000 previously written off against reserves has been capitalised and amortised in prior years profit and loss accounts as the directors believe it to be fully amortised having exceeded its estimated useful life since its creation.

Overall these changes have resulted in shareholders funds being reduced by £36,303,000 *(1998:£36,303,000)*.

FRS14 has required certain changes to the calculation of earnings per share.

2. Turnover and profit on ordinary activities before taxation

A Turnover

	26 weeks ended 28 February 1999	*26 weeks ended 1 March 1998*	*52 weeks ended 31 August 1998*
Continuing operations			
Dancing	35,664	27,290	57,467

B Profit on ordinary activities before taxation

	Profit on ordinary activities before depreciation			*Depreciation*			*Profit on ordinary activities before taxation*		
	26 weeks ended 28 Feb 1998 £'000	*26 weeks ended 1 Mar 1998 £'000*	*52 weeks ended 31 Aug 1998 £'000*	*26 weeks ended 28 Feb 1999 £'000*	*26 weeks ended 1 Mar 1998 £'000*	*52 weeks ended 31 Aug 1998 £'000*	*26 weeks ended 28 Feb 1999 £'000*	*26 weeks ended 1 Mar 1998 £'000*	*52 weeks ended 31 Aug 1998 £'000*
Continuing operations:									
Dancing	13,940	11,722	23,711	1,996	1,176	2,765	11,944	10,546	20,946
Property disposals	—	—	—	—	—	—	—	—	—
Administration	(2,380)	(2,001)	(4,431)	115	64	147	(2,495)	(2,065)	(4,578)
Total continuing operations	11,560	9,721	19,280	2,111	1,240	2,912	9,449	8,481	16,368
Net interest	(1,430)	(1,273)	(2,303)	—	—	—	(1,430)	(1,273)	(2,303)
	10,130	8,448	16,977	2,111	1,240	2,912	8,019	7,208	14,065

3. Net interest payable and other similar charges

	26 weeks ended 28 February 1999 £'000	*26 weeks ended 1 March 1998 £'000*	*52 weeks ended 31 August 1998 £'000*
On bank loans and overdrafts	1,382	1,239	2,256
On loan notes	—	7	—
Interest receivable	—	(3)	(13)
Fees	48	30	60
	1,430	1,273	2,303

4. Taxation

The taxation charge for the 26 weeks to 28 February 1999 is based upon an estimate of the group's effective rate of taxation for the current year of 27.5%.

5. Dividends

	26 weeks ended 28 February 1999 £'000	*26 weeks ended 1 March 1998 £'000*	*52 weeks ended 31 August 1998 £'000*
Dividend on issued share capital	2,796	2,772	7,097

The record date for the 2.25p per share interim dividend payable on 29 April 1999 is 12 April 1999. shares will be marked Ex Dividend on 6 April 1999.

6. Earnings per ordinary share

Basic earnings per ordinary share represents the profit for the financial period divided by the weighted average number of ordinary shares in issue. Fully diluted earnings per share takes into account the potential dilutive effect of the exercise of outstanding dilutive share options and 'A' warrants. The comparatives have been restated to comply with FRS14.

	Profit for the financial period			*Weighted average number of shares*		
	26 weeks ended 28 February 1999 £'000	*26 weeks ended 1 March 1998 £'000*	*52 weeks ended 31 August 1998 £'000*	*26 weeks ended 28 February 1999 000*	*26 weeks ended 1 March 1998 000*	*52 weeks ended 31 August 1998 000*
Basic earnings	5,814	5,262	10,592	123,799	111,990	117,241
Potential dilutive shares issued under options	—	—	—	390	1,137	1,209
Potential dilutive shares issued under 'A' warrants	—	—	—	107	1,487	808
Fully diluted earnings	5,814	5,262	10,592	124,296	114,614	119,258

7. Cash flow statement

(A) Reconciliation of operating profit to net cash inflow from operating activities

	26 weeks ended 28 February 1999 *£'000*	*52 weeks ended 31 August 1998* *£'000*
Operating profit	9,449	16,368
Depreciation on tangible fixed assets	2,111	2,912
Provision against investments	11	20
Increase in stocks	(13)	(5)
Increase in debtors	(517)	(333)
Decrease/(increase) in trade creditors	(1,362)	1,133
Increase/(decrease) in other creditors	661	(1,820)
Net cash inflow from operating activities	10,340	18,275

(B) Reconciliation on net cash flow to movements in net debt

	26 weeks ended 28 February 1999 *£'000*
Increase in cash in the period	(24)
Cash outflow from decrease in debt	9,114
Movement in net debt in the period	9,090
Net debt as at 31 August 1998	27,419
Net debt as at 28 February 1999	36,509

8. Registrar

On 28 February 1999 Bank of Scotland and Lloyds TSB Group announced that they had reached an agreement for Lloyds TSB Registrars to acquire Bank of Scotland's Registrar Services Business. Shareholders should continue to contact the registrar on the existing number.

9. Results for the year ended 31 August 1998

The figures for the year ended 31 August 1998 are not full accounts. Full accounts have been delivered to the Registrar of Companies and the auditors have given an unqualified report on those accounts."

PART IV

Northern Leisure Share Warrants

Particulars of the Northern Leisure Convertible Shares of 0.01p each

The following is the text of Article 8 of the Articles of Association proposed to be adopted in substitution for the existing Article with effect from the Offer being declared wholly unconditional (save in relation to the condition relating to admission) and which sets out the rights and restrictions that will be attached to the Share Warrants.

"8. The share capital of the Company is divided into ordinary shares of 10p each ("ordinary shares") and convertible shares of 0.01p each ("Share Warrants"). The rights and restrictions attaching to the Share Warrants are as follows:

8.1 Income

The profits available for distribution and resolved to be distributed in respect of each financial year or other accounting period of the Company shall be applied in the following order of priority:

(a) first, in payment to the holders of the ordinary shares of such dividends not exceeding in aggregate the sum of £100 for each 1p in nominal amount of ordinary share capital in respect of any financial year or other accounting period of the Company as may be resolved to be distributed; and

(b) secondly, in payment to the holders of the ordinary shares and of the Share Warrants *pari passu* and rateably in accordance with the amounts paid up on their respective holdings of ordinary shares and Share Warrants of such further amounts as may be resolved to be distributed.

8.2 Capital

In the event of a winding up of the Company, the assets of the Company available for distribution amongst the members shall be applied in the following manner and order of priority:

(a) first, in paying to the holders of ordinary shares *pari passu* and rateably a sum equal to the nominal capital paid up thereon together with the sum of up to £50,000 per ordinary share held by them;

(b) secondly, in paying to the holders of Share Warrants *pari passu* and rateably a sum equal to the nominal capital paid up thereon; and

(c) thirdly, the balance of such assets shall belong to and be distributed among the holders of ordinary shares *pari passu* and rateably in proportion to the number of ordinary shares held by them.

8.3 Subscription rights

(a) Each holder of Share Warrants shall have the right ("Subscription Rights") at the times and in the manner set out in (and subject to the provisions of) this paragraph 8.3 to convert all or any of the Share Warrants into fully paid ordinary shares on the basis of 10p in nominal amount of ordinary shares for each 0.1p in nominal amount of fully paid Share Warrants so converted (such rate as adjusted from time to time as provided in this Article 8 being hereinafter called "the conversion rate"). The Subscription Rights attaching to each Share Warrant shall be exercisable, subject to adjustment from time to time, upon payment of 180p in cash (the "Subscription Price") to the Company in the manner provided below.

(b) Subject as provided below, the Subscription Rights will be exercisable at any time from the date of issue until the date being the seventh calendar anniversary of the date of issue or, if such day is not a dealing day, the next dealing day thereafter (any such day being a "Subscription Date"). Not earlier than 42 days and not later than 14 days before the date being the seventh anniversary of the date of issue (the "final Subscription Date"), the Company will give appropriate notice to the holders of Share Warrants reminding them of their Subscription Rights.

(c) In order to exercise any Subscription Rights, a holder of Share Warrants in certificated form must lodge the relevant Share Warrant certificate (or such other evidence as the Company may reasonably require of the title of the Share Warrant holder concerned) having completed the notice of subscription thereon or a notice in such other form as may be prescribed from time to time by the Directors in lieu thereof (a "Certificated Conversion Notice"), together with a remittance for the aggregate Subscription Price for the new ordinary shares in respect of which the Subscription Rights are being exercised, at the office of the Company's registrar. In order to exercise any Subscription Rights, a holder of Share Warrants in uncertificated form must issue an Uncertificated

Conversion Notice and lodge a remittance for the aggregate Subscription Price of the new ordinary shares in respect of which the Subscription Rights are being exercised at the office of the Company's registrar. For these purposes, an "Uncertificated Conversion Notice" shall mean a properly authenticated dematerialised instruction and/or other instruction or notification received by the Company or by such person as it may require in such form and subject to such terms and conditions as may from time to time be prescribed by the Directors (subject always to the facilities and requirements of the relevant system concerned). The Directors may in addition determine when any such properly authenticated dematerialised instruction and/or other instruction or notification is to be treated as received by the Company or by such person as it may require for these purposes (subject always to the facilities and requirements of the relevant system concerned). Once lodged or issued, neither a Certificated Conversion Notice nor an Uncertificated Conversion Notice respectively may be revoked without the consent of the Directors of the Company. Holders of Share Warrants exercising Subscription Rights must also comply with any legal or regulatory requirements for the time being applicable. For the purposes of this Article, a "Conversion Notice" means, in relation to those Share Warrants in certificated form, a Certificated Conversion Notice and in relation to Share Warrants in uncertificated form, an Uncertificated Conversion Notice.

(d) New ordinary shares allotted pursuant to the exercise of Subscription Rights will be allotted and issued not later than 14 days after and with effect from the date of receipt by the Company's registrars of cleared subscription funds and a Conversion Notice, to the registered holder(s) of the Share Warrants in respect of which the relevant Subscription Rights have been exercised or, subject as provided by law and to the payment of stamp duty, stamp duty reserve tax or any like taxes as may be applicable, to such other person(s) (not being more than four in number) as may be named in the Conversion Notice. The ordinary shares arising on conversion shall rank *pari passu* in all respects with the fully paid ordinary shares then in issue save that they will not rank for any dividends or other distribution declared, made or paid by reference to a record date prior to their date of issue. If only part of the Subscription Rights represented by a Share Warrant certificate are exercised, the Company's registrar shall in due course issue, free of charge and at the risk of the person(s) entitled thereto, a new Share Warrant certificate for the balance of the Share Warrants in certificated form remaining outstanding.

(e) Conversion of such Share Warrants as become due to be converted as aforesaid on any Subscription Date (such shares being hereafter called "relevant Share Warrants") shall be effected by redemption of the relevant Share Warrants in accordance with the provisions of this paragraph 8.3(e) at par out of the proceeds of a new issue of ordinary shares to the holders of the relevant Share Warrants and the Conversion Notice given by the holder of relevant Share Warrants shall be deemed:

   (i) to have authorised some person selected by the Directors to subscribe as agent on the holder's behalf for the appropriate number of ordinary shares (which authority shall include the right to borrow money) at the applicable conversion rate at such premium over and above the relevant Subscription Price as shall be necessary to provide the redemption moneys for redemption at par of such of the Share Warrants held by him as are to be converted; and

   (ii) irrevocably to authorise and instruct the Directors to apply the redemption moneys consequently payable to the holder in payment to that holder's agent or in repaying any money borrowed as aforesaid.

   Immediately after the redemption of 10p in nominal amount of Share Warrants or any whole multiple thereof pursuant to this paragraph 8.3(e), each 10p in nominal amount of the authorised but unissued share capital of the Company resulting from the cancellation of such Share Warrants shall be reclassified as one ordinary share.

(f) The Company will use its best endeavours to establish and maintain a listing for the Share Warrants on the Official List of the London Stock Exchange and for so long as any Share Warrants remain capable of being converted into ordinary shares to obtain and maintain a like listing for ordinary shares which are fully paid up and to ensure that during such times as the ordinary shares are listed on the Official List to use its best endeavours to ensure that ordinary shares allotted on conversion are promptly admitted to the Official List by the London Stock Exchange.

(g) Any fractions of ordinary shares arising on conversion shall not be allotted to the holders of the relevant Share Warrants otherwise entitled thereto but (if any such arrangement can be made) such fractions shall be aggregated and sold on behalf of such holders at the best price reasonably obtainable and the net proceeds of sale distributed *pro rata* among such holders unless in respect of any holding of the relevant Share Warrants, the amount to be distributed would be less than £3.00 (or such greater amount as the London Stock Exchange shall from time to time permit) in which case such amount shall not be so distributed but shall be retained for the benefit of the Company. For the purpose of implementing the provisions of this paragraph 8.3(g) the Directors may appoint some person to execute transfers or renunciations on behalf of persons otherwise entitled to any such fractions and generally may make all arrangements which appear to them necessary or appropriate for the settlement and disposal of fractional entitlements.

8.4 Purchase and redemption

(a) From the day next following the final Subscription Date the Company shall be entitled and shall have the authority at any time thereafter in respect of any of the Share Warrants, whether in certificated or uncertificated form, which have not been converted by way of subscription to appoint a person on behalf of any holder of Share Warrants to enter into an agreement to transfer, and to execute a transfer of the Share Warrants without any payment being made in respect thereof other than 1p (£0.01) for all the Share Warrants then purchased from all the holders thereof, to such person as the Directors of the Company may determine as the custodian thereof. For the avoidance of doubt, following such a purchase, neither the Company nor the custodian shall be obliged to make any payment to the former holders of those Share Warrants.

(b) Following the final Subscription Date and the transfer of the Share Warrants to such person as the Directors may determine as custodian thereof, pursuant to paragraph 8.4(a), the Company may at any time thereafter, subject to the Act, redeem the whole or any part of the Share Warrants then in issue. There shall be paid on each such Share Warrant redeemed the nominal amount paid up or credited as paid up thereon. Upon the redemption of any Share Warrants the Directors may, pursuant to the authority given by the adoption of this Article, convert, consolidate and sub-divide as necessary that part of the authorised share capital which came into being upon the creation of the Share Warrants into shares of any other class of share capital into which the authorised share capital of the Company is or may at that time be divided of a like nominal amount (or as nearly as may be) as the shares of such class then in issue or into unclassified shares.

(c) Subject to the provisions of the Act, the Company may at any time purchase Share Warrants:

(i) in the market; or

(ii) by tender (available alike to all holders of Share Warrants); or

(iii) by private treaty,

in each case at a price (exclusive of all expenses) which shall not exceed the average of the middle market quotations therefor (based on the London Stock Exchange Daily Official List) during the period of five business days immediately prior to the date of such purchase (or such other period as may be required by the Rules of the London Stock Exchange), or in the case of a purchase on the London Stock Exchange, at the market price thereof (provided that such market price is not more than 5 per cent. above such average) but not otherwise, and upon such other terms and conditions as it may think fit.

8.5 Adjustments

(a) If at any time between the date of issue of the Share Warrants and the final Subscription Date an offer is made to all holders of ordinary shares (or all such holders other than the offeror and/or any company controlled by the offeror and/or persons associated or acting in concert with the offeror) to acquire the whole or any part of the ordinary share capital of the Company and the Company becomes aware that the right to cast more than 50 per cent. of the votes which may ordinarily be cast on a poll at a general meeting of the Company has or will become vested in the offeror and/or any company controlled by the offeror and/or persons associated with or acting in concert with the offeror, the Company shall give notice of that fact in writing to the Share Warrantholders within 14 days of its becoming so aware. Thereupon Share Warrantholders shall be entitled, in substitution for the exercise rights granted in paragraph 8.3(a), within the period of six weeks of the date of such notice to exercise their Subscription Rights subject to subsequent adjustment in accordance with this paragraph 8.5).

The Subscription Price payable on any exercise of the Subscription Rights in accordance with this paragraph 8.5(a), but not otherwise, shall be reduced by an amount determined by the Company's directors in accordance with the following formula:

$$A=(B + C) - D$$

"A" means the reduction in the Subscription Price;

"B" means the Subscription Price ruling immediately before the adjustment;

"C" means the average of the middle market quotations as derived from the Official List of the London Stock Exchange for one Share Warrant for the ten consecutive London Stock Exchange dealing days ending on the London Stock Exchange dealing day immediately preceding the date of the announcement of the offer referred to in this sub-paragraph (or, where such offer is a revised offer, the original offer) or, if applicable and earlier, the date of the first announcement of the intention to make such offer or original offer or of the possibility of the same being made;

and

"D" means the average of the middle market quotations as derived from the Official List of the London Stock Exchange for an ordinary share for the ten consecutive London Stock Exchange dealing days specified in the definition of "C" above.

However:

(i) no adjustment shall be made to the Subscription Price where the value of D exceeds the aggregate value of B and C;

(ii) the Company's directors may make such further adjustments to the Subscription Price payable on any subsequent exercise of the Subscription Rights in accordance with this paragraph 8.5 as they shall report to the Company to be appropriate to take account of the value of the Share Warrants, having regard, *inter alia*, to the time value of money and the Company's auditors shall confirm whether such adjustments are fair and reasonable; and

(iii) the Subscription Price shall not be adjusted so as to cause the Company to be obliged to issue ordinary shares at a discount. If the application of the above formula would, in the absence of this sub-paragraph (iii), have reduced the Subscription Price to below the then nominal value of an ordinary share, the number of new ordinary shares to be subscribed on any subsequent exercise of Subscription Rights in accordance with this paragraph 8.5(a), but not otherwise, shall be adjusted in such manner as the Company's auditors shall report to the Company to be appropriate to achieve the same economic result for the Share Warrantholder as if the Subscription Price had been adjusted without regard to this sub-paragraph (iii).

Any adjustments shall become effective on the date on which the Company becomes aware that, as a result of such offer, the rights to cast a majority of the votes which may normally be cast on a poll at a General Meeting of the Company has or will become vested in the offeror and/or such persons or companies acting in concert with the offeror. Publication of a scheme of arrangement or conclusion of a legally binding agreement providing for the acquisition by any person of the whole or any part of the issued share capital of the Company (by whatever means) shall be deemed to be the making of an offer for the purposes of this paragraph 8.5(a). The Company shall give notice to the holders of Share Warrants within 21 days of any adjustments made pursuant to this paragraph 8.5(a).

(b) If an order is made or an effective resolution is passed for the winding up of the Company (except for the purposes of reconstruction or amalgamation on terms sanctioned by an extraordinary resolution of Share Warrantholders), the Company shall forthwith give written notice thereof to the holders of Share Warrants. Thereupon each Share Warrantholder will further (if, in such winding up and on the basis that all Subscription Rights then unexercised had been exercised in full and the subscription moneys had been received in full by the Company, there would be a surplus available for distribution amongst the ordinary shareholders of the Company which, on such basis, would exceed in respect of each ordinary share a sum equal to the Subscription Price) be treated as if immediately before the date of such order or resolution his Subscription Rights had been exercised in full on the terms then applicable (subject to any subsequent adjustment pursuant to this paragraph 8.5). Each holder of Share Warrants shall, accordingly, be entitled to receive out of the assets available in the liquidation *pari passu* with the ordinary shareholders of the Company such a sum as he would have received had he exercised his Subscription Rights in full and become the holder of the new ordinary shares to which he would have become entitled by virtue of such Subscription after deducting a sum per new ordinary share equal to the Subscription Price.

(c) If the Company makes an offer of new ordinary shares by way of rights to the holders of ordinary shares (subject to such exclusions or provisions as the Directors may consider expedient for dealing with fractional entitlements or legal or practical problems under or resulting from the application or apparent application of the laws of any territory or the requirements of any applicable recognised regulatory body or stock exchange) in proportion to their holdings of ordinary shares (the ordinary shares so offered being hereinafter referred to as the "new shares") then:

(i) unless the Directors resolve otherwise in accordance with sub-paragraph (ii) below, if the Directors then have all necessary authorities to do so, the Company shall make or procure that there is made to the holders of Share Warrants a like offer (subject to such exclusions and provisions as aforesaid) at the same time as such offer as if the Subscription Rights of each Share Warrantholder had been exercised on the date immediately preceding the record date of such offer on the terms on which they were then exercisable (subject to any subsequent adjustment pursuant to sub-paragraph (ii) below); or

(ii) if the Directors so resolve or if the Directors do not have the necessary authorities referred to in sub-paragraph (i) above, the number of ordinary shares to result from any subsequent conversion of the Share Warrants shall be adjusted so that the nominal amount of ordinary share capital to be issued per Share Warrant shall be increased by an amount (expressed in pence) equal to:

$$\frac{A \times C}{B + C}$$

where:

"A" equals the nominal amount (expressed in pence) of the new shares (including any fraction of a new share) which would have been offered to a holder of a Share Warrant had his Subscription Rights been exercised in full immediately before the record date for such offer at the conversion rate then applicable;

"B" equals the price per share (expressed in pence) at which the new shares are being offered to holders of the ordinary shares; and

"C" equals the average of the middle market quotations (expressed in pence) on the London Stock Exchange (derived from the Daily Official List of the London Stock Exchange) for the new shares, nil paid, during the period in which the new shares are dealt in on the London Stock Exchange, nil paid.

(d) If while any Share Warrants remain capable of being converted into ordinary shares, the Company shall make any issue of ordinary shares by way of capitalisation of profits or reserves (including any share premium account and capital redemption reserve) to the holders of ordinary shares or shall sub-divide or consolidate the ordinary shares into shares of a smaller or greater nominal amount, the nominal amount of ordinary shares resulting from any conversion of Share Warrants subsequent to the record date for any such issue, sub-division or consolidation shall be increased or, as the case may be, reduced *pro rata* and the conversion price shall be adjusted accordingly with effect from such record date. If any doubt shall arise as to the appropriate adjustments, the opinion of the auditors of the Company (acting as experts and not as arbitrators) shall be conclusive and binding on all concerned. Provided that the auditors of the Company shall have confirmed that the interests of the holders of Share Warrants will not be prejudiced by any such issue, no adjustments shall be made by reason only of a holder of ordinary shares wholly or partially foregoing his entitlement to a cash dividend and in lieu thereof the Company making an issue to him of fully paid ordinary shares by way of capitalisation of profits or reserves.

(e) The Subscription Price and/or the conversion rate, as appropriate, may, in addition to the adjustments referred to in paragraphs 8.5(a), 8.5(b), 8.5(c) and 8.5(d) above, from time to time be adjusted by the Company's directors if in the opinion of the Company's auditors (acting as experts and not as arbitrators) such an adjustment would be fair and reasonable. Such adjustment may be made upon the happening of, *inter alia*, any of the following events:

(i) the payment or making of any capital distribution to the holders of ordinary shares or the grant to the holders of ordinary shares of rights to acquire assets for cash;

(ii) the issue of securities, other than any further issue of Share Warrants, which by their terms are convertible into or exchangeable for or carry rights of subscription for ordinary shares or the grant of any such rights in respect of any existing securities (excluding rights granted pursuant to any employee share scheme) for which, or the modification of the terms of any such securities with the result that, the consideration per ordinary share receivable therefor by the Company upon conversion, exchange or subscription is less than 95 per cent. of the market price per ordinary share on the dealing day preceding the date of announcement of the issue or modification (as the case may be); or

(iii) the issue for cash of ordinary shares (other than ordinary shares issued on exercise of any rights to acquire ordinary shares attached to any securities which by their terms are convertible into or exchangeable for or carry rights of subscription for ordinary shares, or ordinary shares issued pursuant to any employee share scheme) at a price per ordinary share less than 95 per cent. of the market price per ordinary share on the dealing day preceding the date of announcement of the issue of such shares.

(f) No adjustment will be made where such adjustment would give rise to an adjustment of less than one per cent. of the item to be adjusted. Any adjustment not so made will be carried forward and taken into account in any subsequent adjustment. All adjustments to the conversion rate shall be rounded to two decimal places (0.005 being rounded up). The Company will forthwith notify the holders of Share Warrants in writing of any adjustment in the Subscription Price or the conversion rate pursuant to this paragraph (8.5). No adjustment will be made which would increase the Subscription Price other than on a consolidation of ordinary shares.

(g) Neither the conversion rate nor the Subscription Price will in any event be adjusted so that, upon subscription, new ordinary shares would fall to be issued at a discount to their nominal value. Prior to the final Subscription Date, the Company will not take any action if the effect thereof would be that on exercise of Subscription Rights in respect of any Share Warrants it would be required to issue new ordinary shares at a discount.

(h) Where an event occurs which gives or may give rise to an adjustment under any of the provisions of this paragraph 8.5, whether in such proximity in time to another such event or otherwise, in circumstances such that, in the opinion of the Company's directors the provisions of this Article need to be operated subject to some modification in order to give the intended result, such modification shall be made in the operation of the provisions of this Article by the directors of the Company, and such modifications will be reviewed by the Company's auditors who will confirm whether they are fair and reasonable in order to give such intended result.

8.6 Undertakings

So long as any of the Share Warrants remain capable of being converted into ordinary shares, except (in the case of sub-paragraphs 8.6(a) and 8.6(b) below) in the event that arrangements are or have been offered to holders of Share Warrants which would, in the opinion of the Company's financial adviser, ensure that the rights of holders of Share Warrants would not be prejudiced materially or with such consent or sanction on the part of holders of Share Warrants as is required for a variation of the rights attached to such shares:

(a) without prejudice to its right to consolidate or subdivide shares or convert shares into stock or *vice versa*, the Company shall not alter the rights attached to all or any part of its ordinary share capital in issue from time to time or attach any special rights, privileges or restrictions thereto and will not create or issue any new class of equity share capital (as defined in Section 744 of the Companies Act 1985) which carries rights as regards dividends, voting or return of capital which are more favourable than those attaching to the ordinary shares unless, in any of the foregoing cases, any such alteration, creation or issue is, in the opinion of the Company's financial adviser, not materially prejudicial to the interests of holders of Share Warrants;

(b) the Company shall not (except where for the time being permitted by law without the necessity for any consent of the High Court, or with the prior sanction of an extraordinary resolution of holders of Share Warrants) reduce its share capital, any uncalled liability in respect thereof or any capital redemption reserve (but the Company shall not by the foregoing be precluded at any time from repurchasing or redeeming shares subject as provided by law or from reducing or cancelling all or any part of its share premium account or from making any reduction of capital not involving a payment to, or a release of a liability of, shareholders); and

(c) the Company shall keep available sufficient authorised and unissued share capital to satisfy in full all rights for the time being outstanding on conversion of Share Warrants into and subscription for ordinary shares.

8.7 Voting rights and modification of other rights

(a) The holders of Share Warrants will have power by extraordinary resolution of such holders or by resolution in writing signed by holders of not less than 75 per cent of the outstanding Share Warrants, *inter alia*, to sanction any modification, abrogation or compromise of or arrangement in respect of their rights against the Company.

(b) The holders of Share Warrants shall, by virtue of, or in respect of, their holdings of Share Warrants have the right to receive notice of every General Meeting of the Company, but shall not have the right to attend, speak or vote at any General Meeting of the Company unless a resolution is to be proposed abrogating, varying or modifying any of the rights or privileges of the holders of Share Warrants, or a resolution is to be proposed for winding up the Company or for the appointment of an administrator or the approval of any arrangement between the Company and its creditors, in which case such holders shall have the right to attend the General Meeting and shall be entitled to speak and vote only on such resolution. For the avoidance of doubt it is hereby declared that any resolution for the disapplication of Section 89(1) of the Companies Act 1985 or authorising the Company to purchase ordinary shares (or any provisions replacing the same) shall be deemed not to abrogate, vary or modify such rights or privileges.

(c) Whenever the holders of the Share Warrants are entitled to vote at a General Meeting of the Company upon any resolution proposed at such General Meeting, on a show of hands every holder thereof who (being an individual) is present in person or (being a corporation) is present by representative shall have one vote and on a poll every holder thereof who is present in person or by proxy shall have one vote in respect of each Share Warrant registered in the name of such holder.

PART V

Additional Information

1. Responsibility statements

The Directors and Proposed Directors of Northern Leisure, whose names are set out on page 3 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors and Proposed Directors (having taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. The Company

The Company was incorporated and registered in England on 3 November 1987 as a public company with limited liability under the Companies Act 1985 and with the name Harvesting PLC (registered number 2188184). The Company changed its name to Whitegate Leisure PLC on 15 December 1987, and further changed its name to Northern Leisure PLC on 30 November 1993. The Company does not trade in its own right. Its principal activity, described in the objects clause of its Memorandum of Association, is to carry on the business of a holding company. The principal legislation under which the Company operates is the Act and regulations made thereunder.

3. The Directors

3.1 The directors of Northern Leisure, their functions and other companies or partnerships (other than subsidiaries of Northern Leisure or of any of the companies listed below) of which such persons are or have been directors or partners within the five years preceding the date of this document are as follows:

Name	*Function*	*Other existing directorships or partnerships*	*Former directorships or partnerships in the five years ending on the date of this announcement*
Alexander Cassels	*Non-executive Chairman*	Dunedin Enterprise Investment Trust Plc Rutland Trust plc	Teviot Premier 1 Plc Teviot Premier 2 Plc Teviot Premier 3 Plc Ettrick Premier 1 Plc Ettrick Premier 2 Plc Ettrick Premier 3 Plc Ettrick Premier 4 Plc Tweed Premier 1 Plc Tweed Premier 2 Plc Tweed Premier 3 Plc Tweed Premier 4 Plc Tweed Premier 5 Plc Tweed Premier 6 Plc
Clive Henry Preston	*Managing Director*	None	None

Name	*Function*	*Other existing directorships or partnerships*	*Former directorships or partnerships in the five years ending on the date of this announcement*
James Nicholas Oppenheim	*Executive Vice-Chairman*	British Foreign & Colonial Corporation Limited Cottin Freres Scottish General Holdings Limited Precis (1733) Limited Eishken 1989 Partnership	APTA Plc Dome Assets Limited Kellock Limited Prembroke Assets Limited Pembroke Industries Limited Precis (1379) Limited Scottish General Assets Limited Scottish General Properties Limited Timsbury Salmon & Trout Club Limited
Thomas Niven Ballantyne	*Executive Director*	None	APTA Plc
Andrew McIvor	*Executive Director*	None	None
Brendan Michael McLoughlin	*Executive Director*	None	None
Peter Marks	*Executive Director*	None	None
Matthew Alexander Streets	*Finance Director*	Streets Entertainments Limited	None
James Donald Hanson	*Non-executive Director*	Central Asian Investment Company Limited Opal Estates Limited Cobden Club Ltd UMSS Limited	None
Robert Joseph Johnstone Wickham	*Non-executive Director*	Broughfame Limited and Project Care Secure Trust Group Plc Secure Trust Bank Plc Leased Hotels Limited Nightspeed Services Limited Rutland Plc	Graystone Plc

Northern Leisure's registered and head office and the business address of the Directors is 1 Primrose Hill, Preston, Lancashire, PR1 4BX.

3.2 No Director or Proposed Director:

(a) has any unspent convictions in relation to indictable offences; or

(b) has been adjudged bankrupt or been a party to a deed of arrangement or any form of voluntary arrangement; or

(c) has, save as disclosed in paragraph 3.3, been a director of any company with an executive function which, whilst he was such a director or within 12 months after his ceasing to be such a director, was put into compulsory liquidation or creditors voluntary liquidation or had an administrator or administrative or other receiver appointed or entered into any composition or arrangement with its creditors generally or any class of its creditors; or

(d) has been a partner in any partnership, which, whilst he was a partner, or within 12 months after his ceasing to be a partner, was put into compulsory liquidation or had an administrator or an administrative or other receiver appointed or entered into any voluntary arrangement; or

(e) has had an administrative or other receiver appointed in respect of any asset belonging to him or to a partnership of which he was a partner at the time of such appointment or within the 12 month preceding such appointment; or

(f) has received any public criticism by any statutory or regulatory authorities (including recognised professional bodies) or been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

3.3 Peter Marks was a director of Pioneer Entertainments Limited ("Pioneer") from 1990 to 1992. In June 1991 Pioneer went into receivership and it and its two subsidiaries, Entertainment Concepts Limited and Concepts Development Limited were wound up by July 1992.

3.4 The directors of Fife and their functions are as follows:

Name	Function
John Harmer Pattisson	*Non-executive Chairman*
Adam Francis Mills	*Chief Executive*
Peter Raymond McEnhill	*Executive Director*
Iain William Bell	*Non-executive Director*
David Michael Munro	*Non-executive Director*

The business address of the directors of Fife is 67 New Street, Salisbury, Wiltshire, SP1 2PH and the registered office of Fife is 50 Lothian Road, Festival Square, Edinburgh, EH3 9WJ.

3.5 Upon the Offer being declared unconditional in all respects the board of Northern Leisure will comprise the Directors and Proposed Directors.

4. Share capital

4.1 The following table sets out the authorised, issued and fully paid share capital of the Company, as it is at present and as it is expected to be (assuming that no options granted under the Northern Leisure Share Option Schemes or pursuant to the "A" warrants are exercised) upon the passing of the Resolutions to be proposed at the Extraordinary General Meeting, the Offer being declared unconditional in all respects, the Bonus Issue having occured and assuming full acceptance of the Offer including acceptances in respect of Fife Shares issued pursuant to the exercise of share options during the period until the Offer is declared or becomes unconditional in all respects:

	At present		Expected	
	Number (Shares)	Aggregate Nominal Value (£)	Number (Shares)	Aggregate Nominal Value (£)
Authorised				
Northern Leisure Shares	175,000,000	17,500,000	175,000,000	17,500,000
Northern Leisure Share Warrants	—	—	15,000,000	1,500
Issued				
Northern Leisure Shares	124,301,496	12,430,150	136,827,426	13,682,743
Northern Leisure Share Warrants	—	—	13,296,814	1,330

The expected number of Share Warrants, to be in issue, being 13,296,814, is calculated on the basis of no further exercise of outstanding "A" warrants or options. Application has been made for the admission to the Official List of up to 13,452,571 Northern Leisure Share Warrants, such number being calculated on the basis of those Northern Leisure options and "A" warrants exercisable during the relevant period being exercised. The expected number of Northern Leisure Shares, being 136,827,426, is based on full acceptance of the Offer by all Fife Shareholders and optionholders and the Subscriptions becoming effective.

4.2 Movements in the number of shares in issue since 30th May 1996 are detailed below:

Date	*Reason for issue*	*Number of Shares issued*	*Number of Shares in issue*	*Issue Price (p)*
30.5.96			48,413,922	
21.4.96	Placing and open offer	5,227,918		218
3.2.98	Placing and open offer	5,382,736		400
	Exercise of Options	289,315		46 - 89
	Exercise of "A" warrants	1,728,416		125 - 240.625
			12,628,385	
			61,042,307	
15.6.98	Bonus 1:1	61,042,307		
	Exercise of Options	399,802		31.5 - 77
	Exercise of "A" warrants	1,817,080		62.5 – 106.25
			63,259,189	
			124,301,496	

4.3 Details of the total number of "A" warrants and options granted under the Northern Leisure Share Option Schemes outstanding as at 1 June 1999 (the last practicable date prior to publication of this document) are as follows:

(a) *1992 Share Option Scheme*

Date granted	*Number Outstanding*	*Price payable per share*	*Exercisable dates*
1 November 1995	124,102	44.5p	1/11/97 – 31/10/99
11 October 1996	946,000	77p	11/10/98 – 10/10/00
20 October 1997	1,049,000	156.25p	20/10/99 – 19/10/01

(b) *1998 Executive Share Option Scheme*

Date granted	*Number Outstanding*	*Price payable per share*	*Exercisable dates*
Basic Options			
14 October 1998	1,872,196	83p	14/10/01 – 13/10/03
Super Options			
(granted under Part B – Unapproved)			
12 June 1998	3,018,000	218.25p	12/06/03 – 11/06/08
14 October 1998	1,807,230	83p	14/10/03 – 13/10/08

(c) *"A" warrants*

	Number Outstanding	*Price payable per share*	*Latest exercisable dates*
	487,474	96.875p – 120.3125p	June-Dec 1999

4.4 Save in relation to the proposed subscription rights of the Northern Leisure Share Warrants and as disclosed in paragraph 4.3 above, no share or loan capital of the Company or any of its subsidiaries is under option or is agreed, conditionally or unconditionally, to be put under option.

4.5 The Directors are generally and unconditionally authorised for the purposes of section 80 of the Act during the period expiring on the earlier of the Company's next annual general meeting and 29 January 2000 to allot, grant options over, offer or otherwise deal or dispose of any relevant securities of the Company (as defined in the said section 80) up to a maximum of 47,725,000 Northern Leisure Shares. The Directors are empowered pursuant to section 95 of the Act during the period expiring at the conclusion of the next annual general meeting of the Company or, if earlier, on 29 January 2000, 1999, to allot equity securities (within the meaning of section 94 of the Act) as if section 89(1) of the Act did not apply to such allotment, provided that this power is limited, inter alia, to the allotment of up to an aggregate nominal amount of £615,000.

4.6 At the extraordinary general meeting of the Company convened for 29 June 1999 it is proposed that the Company's authorised share capital be increased from £17,500,000 to £17,501,500 by the creation of 15,000,000 Northern Leisure Share Warrants, that the Directors be authorised in accordance with section 80 of the Act to allot up to a maximum of 13,452,571 Northern Leisure Share Warrants and that the Directors are empowered to allot 866,664 Northern Leisure Share Warrants for cash as if section 89(1) of the Act did not apply. If granted this authority would be used by the Directors to meet entitlements to Northern Leisure Share Warrants under the Bonus Issue and the Subscriptions and would expire on the fifth anniversary of the date of its grant.

4.7 Following the passing of resolutions 1 and 2 to be proposed at the Extraordinary General Meeting of the Company convened for 29 June 1999 and the Offer being declared unconditional in all respects and assuming full acceptance of the Offer including acceptances in respect of Fife Shares issued pursuant to the exercise of share options during the period until the Offer is declared unconditional in all respects, and assuming that no options granted under the Northern Leisure Share Option Schemes are exercised, there will remain a balance of 38,172,574 Northern Leisure Shares and at least 1,547,429 Northern Leisure Share Warrants authorised but unissued (and not reserved for issue pursuant to the Northern Share Option Schemes) representing approximately 21.8 per cent. of the Company's total authorised ordinary share capital and approximately 10.3 per cent. of the Company's authorised convertible share capital as enlarged by the passing of such resolutions.

4.8 The provisions of section 89 of the Act (which, to the extent not disapplied pursuant to section 95 of the Act, confers on shareholders rights of pre-emption in respect of the allotment of equity securities which are to be paid up in cash) will not apply to the allotment of the New Northern Leisure Shares pursuant to the Offer since they are to be paid up otherwise than in cash. Such provisions will apply to the balance of the authorised but unissued share capital of the Company in relation to any issue of the Northern Leisure Shares for cash which is not the subject of any disapplication of pre-emption rights.

4.9 The allotment of the New Northern Leisure Shares and the Northern Leisure Share Warrants will be made by a resolution of the Directors or a duly authorised committee thereof pursuant to the authority granted to the Directors referred to in paragraphs 4.5 and 4.6 above respectively.

4.10 All the issued Northern Leisure Shares are in registered form and capable of being held in uncertificated form. They are listed on the London Stock Exchange which is the only stock exchange on which listing of the New Northern Shares and Northern Leisure Share Warrants is being or will be sought. The New Northern Leisure Shares and the Northern Leisure Share Warrants will be in registered form, will be capable of being held in uncertificated form and normal arrangements will exist for their transfer upon issue. There will be no restrictions on the free transferability of such shares.

4.11 Save pursuant to the Offer, the Bonus Issue and the Subscriptions, none of the New Northern Leisure Shares or Northern Leisure Share Warrants are being sold or are available in whole or in part to the public in conjunction with the application for the New Northern Leisure Shares and Northern Leisure Share Warrants to be admitted to the Official List.

4.12 Subject to the Offer being declared unconditional in all respects, the relevant stock accounts in CREST will be credited and/or definitive certificates for the New Northern Leisure Shares and cheques for any cash due, as appropriate, will be despatched by first class post (i) in the case of acceptances received, completed in all respects, by the date on which the Offer becomes or is declared unconditional in all respects, within fourteen days of such date, or (ii) in the case of acceptances received, completed in all respects, after such date but while the Offer remains open for acceptance, within fourteen days after such receipt. No temporary documents of title will be issued.

4.13 Subject to the Offer being declared unconditional in all respects save for the condition relating to Admission the relevant stock accounts in CREST will be credited and/or definitive certificates for the Northern Leisure Share Warrants will be despatched by first class post within 14 days of the Offer being declared wholly unconditional. No temporary documents of title will be issued.

5. Terms of the Northern Leisure Share Warrants

A summary of the Northern Leisure Share Warrants is set out in paragraph 6 of Part I of this document and their full terms are included in Part IV.

6. Summary of the memorandum and articles of association, as proposed to be amended

6.1 The Memorandum of Association of Northern Leisure provides that Northern Leisure's principal object is to carry on the business of a holding company. The objects of the Company are set out in full in clause 4 of its Memorandum of Association, a copy of which is available for inspection at the address specified in paragraph 18 of this Part V.

6.2 On the basis that the resolutions 1 and 2 are passed at the Extraordinary General Meeting and the Offer is declared wholly unconditional, the Northern Leisure Share Warrants will be in issue with such rights and restrictions attached thereto as are set out in Part IV of this document and the Articles of Association will contain, *inter alia*, the provisions which are summarised below:

Provisions relating to the rights attaching to Northern Leisure Shares

(a) Voting

Subject to any terms as to voting upon which any shares may be issued or may for the time being be held, every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative, not being himself a member entitled to vote at any general meting, shall upon a show of hands have one vote and every member who is present in person or by proxy shall upon a poll have one vote for each share held by him. Voting rights may not be exercised by a member who has not paid to the Company all calls or other sums presently payable by him in respect of shares in the Company. A member who has been served with a disenfranchisement notice after failure to provide the Company with information required to be provided under any relevant legislation may not attend or vote at any general meeting.

(b) Variation of rights and changes in capital

Subject to the provisions of any relevant legislation, all or any of the rights for the time being attached to any class of shares in issue may be varied or abrogated in such a manner as may be provided by such rights or, in the absence of any such provision, with the consent in writing of the holders of not less than three-quarters in nominal amount of the issued shares of the affected class or the sanction of an extraordinary resolution passed at a separate general meeting of such holders of the shares of that class.

The Company may, by ordinary resolution, *inter alia,* consolidate and divide all or any of its share capital into shares of a larger amount, sub-divide its shares into shares of a smaller amount or cancel any shares which at the date of the passing of the requisite resolution, have not been taken or agreed to be taken.

The Company may, by special resolution and subject to the provisions of any relevant legislation, reduce its authorised and issued share capital or any capital redemption reserve or any share premium account in any way.

(c) Dividends

Subject to the provisions of any relevant legislation, the Company may by ordinary resolution declare dividends to be paid to the members according to their rights and interest in the profits available for distribution, but no dividend shall exceed the amount recommended by the Board.

Dividends shall be apportioned and paid *pro rata* according to the amounts paid on the shares during any portion or portions of the period in respect of which the dividend is paid.

The Board may, if authorised by an ordinary resolution, offer the holders of ordinary shares the right to elect to receive additional ordinary shares, credited as fully paid, instead of cash in respect of any dividend or any part of any dividend specified by the ordinary resolution. The entitlement of the shareholder to new ordinary shares shall be such that the relevant value of each new ordinary share shall be as nearly as possible equal to (but not greater than) the cash amount that the shareholders would have received by way of dividend. The additional ordinary shares as so allotted shall rank parri passu in all respects with fully paid ordinary shares in issue.

Any dividend unclaimed after a period of 12 years from the date such dividend was payable shall be forfeited and shall revert to the Company.

(d) Distribution of assets on a winding up

If the Company is wound up the liquidator may, with the sanction of an extraordinary resolution and subject to any provision sanctioned in accordance with any relevant legislation, divide amongst the members in specie the whole or any part of the assets of the Company and may, for such purpose, set such value as he deems fair upon any assets to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members.

(e) Transferability

(i) Ordinary shares held in certificated form may be transferred by instrument in any usual form or in any other form which the Board may approve. The Board may, in its absolute discretion, and without assigning any reason therefor, refuse to register any transfer of shares which are not fully paid up provided such refusal does not prevent dealings in the shares from taking place on an open and proper basis;

(ii) the Board may refuse to register any ordinary shares held in uncertificated form in any case where the Company is entitled to refuse under the Uncertificated Securities Regulations 1995.

Provisions relating to Directors

(a) Directors' interests

A Director shall not vote at a meeting of the Board or of a committee of the Board on any resolution concerning a matter in which he has, directly or indirectly, an interest which is material or a duty which conflicts or may conflict with the interests of the Company unless his interest or duty arises because one of the following sub-paragraphs applies:

(i) the resolution relates to the giving to the Director a guarantee, security or indemnity in respect of money lent to, or an obligation incurred by the Director for the benefit of, the Company or any of its subsidiaries;

(ii) the resolution relates to the giving to a third party of a guarantee, security or indemnity in respect of an obligation of the Company or any of its subsidiaries for which the Director has assumed responsibility;

(iii) the Director's interest arises by virtue of his being, or intending to become, a participant in the underwriting or sub-underwriting of an offer of any shares, debentures, or other securities by the Company or any of its subsidiaries for subscription, purchase or exchange;

(iv) the resolution relates to any proposal concerning any other company in which he is interested, directly or indirectly, and whether as an officer or shareholder or otherwise howsoever provided that he is not the holder of or beneficially interested in one per cent. or more of any class of the equity share capital of such company (or of any third company through which his interest is derived) or of the voting rights available to members of the relevant company;

(v) the resolution relates to the purchase or maintenance for the benefit of any Director or Directors of any insurance against any liability; or

(vi) the resolution concerns any scheme or arrangement for the benefit of employees of the Company or any of its subsidiaries under which the Director benefits in a similar manner to the employees and does not accord to any Director any privilege or advantage not generally accorded to the employees to which such arrangement relates.

(b) Directors' Remuneration

The Board may determine what remuneration by way of fee the Directors of the Company shall be paid. However, unless otherwise sanctioned by an ordinary resolution, the aggregate of such remuneration by way of fee shall not exceed £200,000 per annum. The Directors are entitled to be reimbursed for reasonable expenses incurred in connection with their duties as Directors, including attendance at Board meetings and general meetings of the Company.

Extra remuneration may be paid at the discretion of the Board to a Director who performs special services or goes or resides abroad for any purpose of the Company.

A Director may be appointed by the Board to any employment or executive office with the Company for such a period (subject to the provisions of any relevant legislation) on such terms and at such remuneration as the Board may determine.

The Board may provide benefits, whether by the payment of gratuities or pensions or by insurance or otherwise, for any Director who has held but no longer holds any executive office or employment with the Company or an existing (or former) subsidiary of the Company and for any member of his family or for any person who is dependent on him. Contributions toward the provision of these benefits may be paid during the Director's employment.

(c) Borrowing powers

The Board may exercise all powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital and, subject to any relevant legislation, to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

The Board shall restrict the borrowings of the Company and exercise all voting and other powers of control in relation to its subsidiaries to ensure that the aggregate amount for the time being remaining undischarged of all borrowings by the group (excluding money owed by any member of the group to any other member of the group), shall not without the previous sanction of an ordinary resolution of the Company exceed an amount equal to two times the adjusted capital and reserves of the Company and its subsidiaries as defined in the Articles of Association of the Company. In the absence of express notice, this limit shall not concern any lender or other person dealing with the Company.

(d) Retirement of Directors

A Director shall be required to vacate his office by reason of having attained the age of 70.

7. Directors', Proposed Directors' and other shareholders' interests

7.1 As at 1 June 1999 (the latest practicable date prior to the publication of this document), the beneficial interests of the Directors and Proposed Directors in the issued share capital of the Company, which:

(a) have been notified by each Director or Proposed Director to the Company pursuant to section 324 or section 328 of the Act or;

(b) which are required pursuant to section 325 of that Act to be entered in the register referred to therein or;

(c) are interests of a connected person of a Director or Proposed Director which would, if the connected person were a Director, be required to be disclosed under (a) or (b) above, and the existence of which is known to or could with reasonable diligence be ascertained by that Director or Proposed Director,

are as follows:

Directors	*Number of Northern Leisure Shares*	*Percentage of issued Northern Leisure Shares*	*Percentage of Northern Leisure Shares as enlarged*
Alexander Cassels	—	—	—
Niven Ballantyne	32,596	0.02%	0.02%
Don Hanson	—	—	0.34%
Peter Marks	56,088	0.04%	0.04%
Andrew McIvor	135,933	0.11%	0.10%
Brendan McLoughlin	76,005	0.06%	0.06%
Nicholas Oppenheim	14,800,196	11.91%	10.84%
– non beneficial	204,338	0.16%	0.15%
Clive Preston	516,192	0.41%	0.57%
Matthew Streets	127,001	0.10%	0.09%
Robert Wickham	20,000	0.02%	0.01%

Proposed Directors	*Number of Northern Leisure Shares*	*Percentage of issued Northern Leisure Shares*	*Percentage of Northern Leisure Shares as enlarged*
John Pattisson	—	—	0.09%
– non beneficial	—	—	0.02%
Adam Mills	—	—	1.25%
Ray McEnhill	—	—	1.06%

Nicholas Oppenheim is also interested in the following 487,474 'A' Warrants (being all the 'A' Warrants in issue):

Date Granted	*Number of 'A' Warrants*	*Exercise Price*	*Expiry date*
2 June 1989	160,000	96.8750p	1 June 1999
5 June 1989	55,230	96.8750p	5 June 1999
1 September 1989	20,540	115.6250p	31 August 1999
4 September 1989	25,946	115.6250p	3 September 1999
4 September 1989	64,864	115.6250p	3 September 1999
6 September 1989	20,972	115.6250p	5 September 1999
16 October 1989	12,842	118.7500p	15 October 1999
16 October 1989	25,262	118.7500p	15 October 1999
31 December 1989	43,636	120.3125p	30 December 1999
31 December 1989	58,182	120.3125p	30 December 1999

The following options, which remain outstanding, have been granted to the Directors for no consideration under the Northern Leisure Share Option Schemes:

(i) **The 1992 Share Option Scheme**

Name	*Date of grant*	*Exercise price per Northern Leisure Share*	*Number of Northern Leisure Shares under option*	*Exercise periods*
Niven Ballantyne	11 October 1996	77p	60,000	11/10/98-10/10/00
	20 October 1997	156.25p	60,000	20/10/99-19/10/01
Peter Marks	1 November 1995	44.5p	30,000	1/11/97-31/10/99
	11 October 1996	77p	45,000	11/10/98-10/10/00
	20 October 1997	156.25p	60,000	20/10/99-19/10/01
Andrew McIvor	11 October 1996	77p	45,000	11/10/98-10/10/00
	20 October 1997	156.25p	60,000	20/10/99-19/10/01
Brendan McLoughlin	1 November 1995	44.5p	16,800	1/11/97-31/10/99
	11 October 1996	77p	45,000	11/10/98-10/10/00
	20 October 1997	156.25p	60,000	20/10/99-19/10/01
Clive Preston	11 October 1996	77p	380,000	11/10/98-10/10/00
	20 October 1997	156.25p	180,000	20/10/99-19/10/01
Matthew Streets	11 October 1996	77p	45,000	11/10/98-10/10/00
	20 October 1997	156.25p	45,000	20/10/99-19/10/01

(ii) **The 1998 Executive Share Option Scheme**

Basic Options

Name	*Date of grant*	*Exercise price per Northern Leisure Share*	*Number of Northern Leisure Shares under option*	*Exercise periods*
Niven Ballantyne	14 October 1998	83p	84,337	14/10/01-13/10/03
Peter Marks	14 October 1998	83p	120,482	14/10/01-13/10/03
Andrew McIvor	14 October 1998	83p	120,482	14/10/01-13/10/03
Brendan McLoughlin	14 October 1998	83p	120,482	14/10/01-13/10/03
Clive Preston	14 October 1998	83p	301,205	14/10/01-13/10/03
Matthew Streets	14 October 1998	83p	84,337	14/10/01-13/10/03

Super Options

Name	*Date of grant*	*Exercise price per Northern Leisure Share*	*Number of Northern Leisure Shares under option*	*Exercise periods*
Niven Ballantyne	12 June 1998	218.25p	230,000	12/06/03-11/06/08
Peter Marks	12 June 1998	218.25p	230,000	12/06/03-11/06/08
	14 October 1998	83p	602,410	14/10/03-13/10/08
Andrew McIvor	12 June 1998	218.25p	230,000	12/06/03-11/06/08
	14 October 1998	83p	602,410	14/10/03-13/10/08
Brendan McLoughlin	12 June 1998	218.25p	230,000	12/06/03-11/06/08
	14 October 1998	83p	602,410	14/10/03-13/10/08
Clive Preston	12 June 1998	218.25p	640,000	12/06/03-11/06/08
Matthew Streets	12 June 1998	218.25P	230,000	12/06/03-11/06/08

7.2 As at 1 June 1999 (the latest practicable date prior to the publication of this document), Northern Leisure had been notified by the persons listed below that they were respectively interested in the following percentages of the issued Northern Leisure Shares:

	Northern Leisure Shares	*Per cent of issued Northern Leisure Shares*	*Percentage of issued Northern Leisure Shares as enlarged*
Schroder Investment Management Limited	13,726,816	11.04%	10.06%
M&G Investment Management	10,259,007	8.25%	7.51%
Standard Life Investment Management	4,459,022	3.59%	3.27%
J. O. Fairfax	3,973,334	3.20%	2.91%

Save as disclosed in this paragraph and paragraph 7.1 above, the Company is not aware of any person who is directly or indirectly interested in 3 per cent. or more of the ordinary share capital of the Company, which interest is required to be notified to the Company under Part VI of the Act.

7.3 The Company is not aware of any persons who, directly or indirectly, jointly or severally, exercise or could exercise, control over the Company.

7.4 *Directors' remuneration and service contracts*

(a) The aggregate remuneration paid (including bonuses and benefits in kind) to the directors of Northern Leisure in respect of the financial year ended 31 August 1998 including pension contributions was approximately £563,000.

(b) The total estimated aggregate remuneration payable to the Directors, including its Proposed Directors, for the current financial period (1 September 1998 to 4 July 1999) is £800,000 including bonuses and benefits in kind;

(c) No Northern Leisure Director has a service contract with a notice or contract period of one year or more or with provisions for predetermining compensation on termination of an amount which exceeds or equals one year's salary and benefits in kind.

(d) As part of the remuneration described above, the executive Directors have the following benefits:

(i) *Performance related pay*

Non-contractual bonuses are paid by the company to executive directors, other than to Nicholas Oppenheim, who thought it inappropriate for him to participate in such a bonus scheme, based upon the Company having met performance targets. The performancce targets for the executive Directors are approved by the Remuneration Committee before being implemented. The bonus scheme for the current financial year has been changed to align participants' long term objectives with the interest of the shareholders and is based upon the group achieving an increase in year-on-year fully diluted earnings per share.

(ii) *Pension scheme*

The Company rewards the executive Directors on the basis of a total remuneration package comprising salary and pension. Each such Director nominates from the total remuneration the amount which he wishes to be regarded as pension and the company then makes a contribution on his behalf.

(e) (i) Pursuant to his service contract with Northern Leisure dated 28 June 1994, Niven Ballantyne is entitled to the following benefits:

(A) an annual salary of £70,000, of which Mr Ballantyne can direct the Company to pay a proportion of his salary into personal pension plans;

(B) eligibility for a non-contractual bonus to be granted at the Remuneration Committee's discretion;

(C) the provision of a suitable car together with payment of all related costs, other than fuel costs incurred during holiday period;

(D) participation in the Company's health, disability and permanent sickness insurance schemes together with similar cover for his wife and dependent children.

(ii) Mr Ballantyne's service contract is terminable on 364 days' notice.

(iii) Save for the notice provision described above, there is no provision for compensation payable on termination of his service contract.

(f) (i) Pursuant to his service contract with Northern Leisure Inc plc dated 27 November 1996 Andrew McIvor is entitled to the following benefits:

(A) an annual salary of £100,000, of which Mr McIvor can direct the Company to pay a proportion of his salary into personal pension plans;

(B) eligibility for a non-contractual bonus to be granted at the Remuneration Committee's discretion;

(C) the provision of a suitable car together with payment of all related costs, other than fuel costs incurred during holiday periods;

(D) participation in the Company's health, disability and permanent sickness insurance schemes together with similar cover for his wife and dependent children.

(ii) Mr McIvor's service contract is terminable on 364 days' notice.

(iii) Save for the notice provision described above, there is no provision for compensation payable on termination of his service contract.

(g) (i) Pursuant to his service contract with Northern Leisure Inc plc dated 27 November 1996 Peter Marks is entitled to the following benefits:

(A) an annual salary of £100,000, of which Mr Marks can direct the Company to pay a proportion of his salary into personal pension plans;

(B) eligibility for a non-contractual bonus to be granted at the Remuneration Committee's discretion;

(C) the provision of a suitable car together with payment of all related costs, other than fuel costs incurred during holiday periods;

(D) participation in the Company's health, disability and permanent sickness insurance schemes together with similar cover for his wife and dependent children.

(ii) Mr Marks' service contract is terminable on 364 days' notice.

(iii) Save for the notice provision described above, there is no provision for compensation payable on termination of his service contract.

(h) (i) Pursuant to his service contract with Northern Leisure Inc plc dated 27 November 1996 Brendan McLoughlin is entitled to the following benefits:

(A) an annual salary of £100,000, of which Mr McLoughlin can direct the Company to pay a proportion of his salary into personal pension plans;

(B) eligibility for a non-contractual bonus to be granted at the Remuneration Committee's discretion;

(C) the provision of a suitable car together with payment of all related costs, other than fuel costs incurred during holiday periods;

(D) participation in the Company's health, disability and permanent sickness insurance schemes together with similar cover for his wife and dependent children.

(ii) Mr McLoughlin's service contract is terminable on 364 days' notice.

(iii) Save for the notice provision described above, there is no provision for compensation payable on termination of his service contract.

(i) (i) Pursuant to his service contract with Northern Leisure Inc plc dated 1 February 1990 Matthew Streets is entitled to the following benefits:

(A) an annual salary of £70,000, of which Mr Streets can direct the Company to pay a proportion of his salary into personal pension plans;

(B) eligibility for a non-contractual bonus to be granted at the Remuneration Committee's discretion;

(C) the provision of a suitable car together with payment of all related costs, other than fuel costs incurred during holiday periods;

(D) participation in the Company's health, disability and permanent sickness insurance schemes together with similar cover for his wife and dependent children.

(ii) Mr Streets' service contract is terminable on six months' notice.

(iii) Save for the notice provision described above, there is no provision for compensation payable on termination of his service contract.

(j) (i) Pursuant to his service contract with Northern Leisure Inc plc dated 10 May 1994 Clive Preston is entitled to the following benefits:

(A) an annual salary of £150,000, of which Mr Preston can direct the Company to pay a proportion of his salary into personal pension plans;

(B) eligibility for a non-contractual bonus to be granted at the Remuneration Committee's discretion;

(C) the provision of a suitable car together with payment of all related costs, other than fuel costs incurred during holiday periods;

(D) participation in the Company's health, disability and permanent sickness insurance schemes together with similar cover for his wife and dependent children.

(ii) Mr Preston's service contract is terminable on 364 days' notice.

(iii) Save for the notice provision described above, there is no provision for compensation payable on termination of his service contract.

(k) If the Offer is declared wholly unconditional, pursuant to a variation agreement between Mr Preston and the Company dated 27 May 1999 the terms of employment of Mr Preston will be varied as follows:

(A) in place of any prior arrangements Mr Preston may have with the Company in relation to the provision of any pension or other retirement benefits, but without prejudice to any rights which he has under the Company's Senior Executive Pension Scheme, the Company agrees to establish a retirement benefits scheme and make a contribution or contributions to that scheme equal to an amount that will pay to Mr Preston a lifetime pension from the date of the termination of his employment of £25,000 per annum and thereafter to his widow, such annual payment to increase by 2.5 per cent. per annum. It is presently estimated that it would cost the Company in the region of £340,000 (net of corporation tax) based on current annuity rates to fund such a retirement benefits scheme. This cost will be charged against profits in the financial period in which the Offer is declared wholly unconditional; and

(B) from the date of the termination of his employment, Mr Preston will have the car provided for him by the Company, which is presently estimated to have a value of around £40,000, given to him at no cost;

(l) Mr Oppenheim is presently employed on the following terms and conditions which have been formalised in a written memorandum dated 2 June 1999:

(i) Mr Oppenheim is entitled to the following benefits:

(A) an annual salary of £100,000 (of which he has waived £15,000 in the current financial period) of which he is entitled to direct the Company to pay a proportion of his salary into personal pension plans;

(B) the provision of a suitable car together with payment of all related costs, other than fuel costs incurred during holiday periods;

(C) participation in the Company's health, disability and permanent sickness insurance schemes together with similar cover for his wife and dependent children.

(ii) Mr Oppenheim's employment is terminable on 364 days' notice.

(iii) Save for the notice provision described above, there is no provision for compensation payable on the termination of his employment.

(m) The Company has entered into two agreements dated 2 June 1999 with Nicholas Oppenheim whereby, conditional upon the Offer being declared wholly unconditional the Company will provide Mr. Oppenheim with the following benefits:

(A) from the date of his retiral from his executive capacity, Mr Oppenheim will be given the car presently provided for him by the Company, which is estimated to have a current value of £34,000, at no cost; and

(B) the Company will assign its present lease of the office premises at 39 King Street, London EC2V 2DQ (the "King Street Property") which expires on 24 March 2000 at no cost and agrees to indemnify Mr Oppenheim for all costs and expenses incurred by him relating to the property up to the expiry of the said lease and he agrees to grant a licence to the Company entitling it to continue to use part of the King Street Property until the expiry of the present lease. It is estimated that the cost to the Company of entering into such an agreement in relation to the King Street Property is negligible.

In addition, the Board has resolved and agreed, conditional on the Offer, becoming or being declared wholly unconditional, to pay, by way of a disrectionary bonus, a sum to provide Mr Oppenheim with a pension of £40,000 per annum during his lifetime and thereafter to his widow, such annual payment to increase by 2.5 per cent. per annum. It is estimated this will cost the Company £670,000 net of corporation tax. This bonus (which is only payable in the event that the Offer completes) is a reward both for additional services provided by Mr Oppenheim during the course of his executive employment with the Company over the past seven years, during which period Mr Oppenheim has not partaken in the Company's bonus scheme pursuant to which bonuses have been paid to all other executive Directors and has on certain occasions waived his entitlement to salary, and for successfully concluding the board restructuring.

During the period of Mr Oppenheim's executive directorship Northern Leisure has grown from being a loss making entity with a market capitalisation of under £2 million to operating more night-clubs than anyone else in the UK and having a market capitalisation of approximately 180 million.

(n) Pursuant to his letter of appointment from the Company dated 25 November 1997 Alexander Cassels is entitled to an annual fee of £25,000. The letter provides that Mr Cassels' period of appointment runs to 31 August 1999. The Board has resolved to pay a non-contractual discretionary fee of £50,000 to Mr Cassels by way of an additional fee in consideration for additional services, outside the terms of his appointment, which he has provided over the last 7 years.

(o) Pursuant to his letter of appointment from the Company dated 24 September 1998 Don Hanson is entitled to an annual fee of £12,500. Mr Hanson's period of appointment runs to 31 August 2000.

Pursuant to an agreement dated 28 May 1999 between Hanson Arbitrage Research & Trading (the "Partnership") (1) and the Company (2), upon Don Hanson taking over as Chairman of the Company and in consideration of the Partnership making Mr Hanson available to act as Chairman of the Company, Northern Leisure will pay the Partnership a fee of £100,000 per annum. Don Hanson's appointment will be for an initial period of two years to be renewed for a further period of two years if the Company and the Partnership so agree.

(p) Pursuant to his letter of appointment from the Company dated 24 September 1998, Robert Wickham is entitled to an annual fee of £12,500. Mr Wickham's period of appointment runs to 31 August 2000.

(q) Adam Mills and Ray McEnhill have agreed but not yet executed service contracts with the Company and John Pattisson has agreed but not yet been granted a letter of appointment, the effectiveness of all of which are only conditional on the Offer being declared wholly unconditional. The terms of these agreements are as follows:

(i) Adam Mills

(A) Mr Mills will be employed from the date the Offer is declared wholly unconditional for a period of one year and thereafter his contract will be terminable on 364 days' notice;

(B) Mr Mills will be entitled to an annual salary of £175,000 and will be able to direct the Company to pay a proportion of his salary into personal pension plans;

(C) Mr Mills will be eligible for a non-contractual bonus at the discretion of the Remuneration Committee;

(D) Mr Mills will become a member of the Company's health, disability and permanent sickness insurance schemes and such cover will also be provided for his wife and any dependent children;

(E) the Company will pay Mr Mills an additional £10,000 per annum as a contribution towards the cost of the use of his car for business purposes and the Company will pay for all petrol costs incurred in connection with Mr Mills' duties;

(F) save for the notice provision described above, there is no provision for compensation payable on termination of his service contract.

(ii) Ray McEnhill's proposed terms of employment are identical to those of Adam Mills described above, save that his annual salary will be £120,000 and he is only required to work an average of 25 hours per week.

(iii) John Pattisson's letter of appointment provides for him to be paid fees of £30,000 per annum. Mr Pattisson's period of appointment will run to his seventieth birthday (being 24 April 2001) and thereafter if he and the Company so agree.

7.5 There are no outstanding loans or guarantees granted or provided by any member of the Group to or for the benefit of any Director.

7.6 As part of a relocation package agreed between the Company and Brendan McLoughlin, Northern Leisure will purchase Brendan McLoughlin's previous residence for £91,000, being the average value of the property estimated by three independent valuers.

7.7 No Director or Proposed Director is or has been interested in any transactions which are unusual in their nature or conditions or significant to the business of the group, and which were effected by the issuer since 31 August 1997 (or in an earlier financial year which remains in any respect outstanding or underperformed) save in relation to the subscriptions by Messrs Hanson and Preston described in paragraph 5 of Part II, the agreements between the Company and Mr. Oppenheim described in paragraph 7.4(m) of this Part V and the subscriptions by the Proposed Directors described in paragraph 5 of Part II of this document.

8. Northern Leisure Share Option Schemes

The Company has two existing share schemes, the Northern Leisure PLC 1998 Executive Share Option Scheme and the Northern Leisure 1992 Share Option Scheme.

Both of these schemes, which are administered by the Remuneration Committee, are designed to provide long term incentives to selected employees and to encourage a community of interest between those employees and the Company's shareholders.

8.1 1998 Executive Share Option Scheme

(a) Income tax relief

This scheme is divided into two parts: Part A, which has been approved by the Inland Revenue, allows for options to subsist over ordinary shares worth up to £30,000 per participant at the original grant price (or such other limit as is in force from time to time). Options in excess of this limit will be granted under an unapproved part (Part B) and gains arising on the exercise of the options under the unapproved part are subject to PAYE on exercise.

(b) Eligibility

All employees and full time executive directors of the Company and any subsidiary are eligible to participate in the scheme but super options are only granted to key executives selected by the Remuneration Committee.

(c) Grant of options

Options are granted under seal for nil consideration. Options are designated at grant as either basic or super options. Both types of option may be granted under the approved or unapproved parts of the scheme. All benefits under the scheme are non-transferable and non-pensionable.

(d) Timings of Grants

Options will only be granted within 42 days following the announcement of the Company's results for any period or at any time thereafter if exceptional circumstances exist which justify the grant of options at that time.

(e) Option price

Options are granted by the Company at an option price which is not less than the market value of the ordinary shares on the London Stock Exchange dealing day prior to the day options are granted or at an earlier date agreed with the Inland Revenue (in the case of approved options) or averaged over the three London Stock Exchange dealing days prior to the day options are granted and, where ordinary shares are to be subscribed, their nominal value (if greater). Market value means on any day the middle market quotation derived from the Daily Official List.

(f) Basic options

Basic options will be subject to appropriate performance targets having due regard to institutional guidelines. Existing basic options are only exercisable on the achievement of a 3 year performance target based on an average growth in fully diluted normalised earnings per share ("EPS") of at least 3 per cent. per annum over the rate of increase in the retail prices index ("RPI").

Basic options may be replaced upon exercise if in the opinion of the Remuneration Committee there has been a significant improvement in the performance of the group over the preceding 2 or 3 years. Basic options will normally be exercisable between the 3rd and 5th anniversaries of grant.

(g) Super options

Super options are subject to especially challenging performance targets. Existing super options will be exercisable if two separate performance targets are both satisfied over a fixed 5 year period from the date of grant.

First, a super option will not be exercisable unless the Company's EPS growth is at least in line with the EPS growth achieved by the top quartile of the FTSE Mid-250 companies over the 5 year period.

Secondly, the Company's EPS growth must also exceed the increase in the RPI by at least an average of 12.5 per cent. per annum compound over the said period. If the Company's EPS growth exceeds the increase in RPI by an average of 12.5 per cent. per annum compound over the 5 year period, a super option may be exercised in respect of 25 per cent. of the shares subject to that option. A super option will only be exercisable in full if the Company's EPS growth exceeds the increase in RPI by an average of 27.5 per cent. per annum compound over the 5 year period. For EPS growth which exceeds the increase in the RPI by an average of between 12.5 per cent. and 27.5 per cent. per annum compound over the 5 year period, an increasing proportion of the super option will be exercisable on a straightline basis.

Super options will normally be exercisable between the 5th and 10th anniversaries of grant.

(h) Adjustments to performance targets

Under the terms of the performance targets of both basic and super options, the Remuneration Committee may adjust the fully diluted normalised earnings per share figures in such manner as it considers fair and reasonable in order to take account of an alteration to share capital with the intent that the bases for determining earnings per share figures are consistent.

The Remuneration Committee intend to take independent advice from the Company's auditors with a view to determining any adjustments which should be made in the light of the bonus issue of the Northern Leisure Share Warrants.

(i) Aggregate limit on individual options

The amount of basic options which may be granted to any participant over any 10 year period shall not exceed such number as have an aggregate market value at the date of grant equivalent to 4 times the participant's earnings from time to time. The aggregate amount of basic and super options which may be granted to any participant over any 10 year period shall not exceed such number as have an aggregate market value at the date of grant equivalent to 10 times the participant's earnings from time to time. Options which have been exercised and replaced are not counted for these purposes. Earnings for the purposes of the Scheme means the aggregate of the participant's current rate of annual salary and any bonuses paid in the immediately preceding period of 12 months.

(j) Early leavers

Options granted under Part A will lapse where the optionholder has ceased to be an employee due to injury, disability, redundancy or retirement. If an optionholder has ceased to be an employee due to death, a change of control of his employing company or business or for any other reason, options under Part A will lapse unless the Remuneration Committee allows exercise or partial exercise of an option at the normal exercise dates, in which case such exercise shall be subject to satisfaction of the applicable performance targets. Options granted under Part B will lapse if the optionholder ceases to be an employee for any of the above reasons unless the Remuneration Committee allows exercise or partial exercise at the normal exercise dates, in which case such exercise shall also be subject to satisfaction of the applicable performance targets. The Remuneration Committee also has the discretion to allow an employee to exercise an option early if he is to be or has been transferred to an overseas company and the Remuneration Committee consider it appropriate to allow him to exercise the option in view of local tax or security laws.

(k) Bankruptcy

Options granted under Part A will lapse in the event of an optionholder's bankruptcy. Options granted under Part B will lapse in the event of an optionholder's bankruptcy unless the Remuneration Committee in its discretion allows exercise or partial exercise of an option at normal exercise dates, in which case, such exercise shall be subject to satisfaction of the applicable performance targets.

(l) Takeover or reconstruction

An option may be exercised in the event of a takeover of the Company without regard to the performance targets. In the event of a reconstruction, options will be exercisable (without regard to performance conditions) if, as a result of the reconstruction, the identity of a substantial proportion of the Company's shareholders is changed. If there is no such alteration, options will not be exercisable at the time of the reconstruction but will remain exercisable at the normal exercise dates. In the event of a voluntary winding up, optionholders will be able to exercise their options, without regard to performance targets, following notice of the resolution to wind up the Company being given to shareholders. Optionholders may in certain circumstances be given the opportunity to exchange their options for options over ordinary shares in the acquiring company or an affiliate.

(m) Issue of shares

Ordinary shares issued on the exercise of options will rank equally with ordinary shares of the same class in issue on the date of allotment except in respect of rights arising by reference to a prior record date.

(n) Variation in ordinary share capital

Options may be adjusted following certain variations in the ordinary share capital of the Company including a capitalisation, rights issue or sub-division, consolidation or reduction in the capital of the Company or any other variation of ordinary share capital.

(o) *Amendments to the scheme*

The rules of the scheme relating to eligibility, scheme or individual limits, the option price and various other rights attaching to options may not be amended to the advantage of participants without shareholder approval, except minor amendments to benefit the administration of the scheme, to take account of a change in legislation, or to obtain or maintain favourable tax treatment for participants or the Company (or other participating companies). All amendments to the approved part (Part A) of the scheme require Inland Revenue approval.

(p) *Scheme limits*

The overall limits on the number of ordinary shares which may be issued under the scheme are:

- in any ten year period, not more than 5 per cent. of the issued ordinary share capital of the Company for the time being may in aggregate be issued or be issuable in the form of basic options under the scheme and any other executive share incentive scheme adopted by the Company or an associated company of the Company; and
- in any ten year period, not more than 10 per cent. of the issued ordinary share capital of the Company for the time being may in aggregate be issued or be issuable in the form of basic and super options under the scheme and any other employee share scheme adopted by the Company or an associated company of the Company.

For the purposes of these, options which lapse cease to count.

8.2 1992 Share Option Scheme

The Company does not intend to grant any more options under this scheme for which Inland Revenue approval has not been sought. The principal terms of this scheme relating to existing options are similar to the principal terms of the 1998 Executive Share Option Scheme relating to existing options other than where stated below.

(a) *Eligibility*

All Directors and employees of the Company and any participating subsidiaries have been eligible to participate in this Scheme provided they were not within 2 years of their normal retirement date.

(b) *Grant of Options*

There is neither provision for super options nor replacement options under this scheme. Options under this Scheme may be granted subject to conditions of exercise determined by the Directors.

(c) *Exercise*

Options will normally only be exercisable between 2 and 4 years from the date of their grant (subject to satisfaction of any condition of exercise imposed on the options) by a person who remains a Director or employee. Options may, however, be exercised (without regard to any applicable conditions of exercise) for a limited period in certain specified circumstances including death, on ceasing employment on account of injury, disability, or, (at the discretion of the Directors) if the employee ceases to be employed in any other circumstances. Exercise is also allowed (without regard to any applicable conditions of exercise) in the event of an amalgamation, reconstruction, takeover or voluntary winding up of the Company. Options lapse in the event of bankruptcy.

(d) *Cash alternative*

The Directors may, at their discretion, satisfy the exercise of an option by the payment of a cash sum in place of the issue or transfer of shares, which will reflect the growth in the value of the shares under the option between the date of grant and exercise.

(e) *Variation in ordinary share capital*

Options may be adjusted following a capitalisation, rights issue or sub-division, consolidation or reduction in the capital of the Company.

(f) *Scheme limits*

The overall limits on the number of shares which may be issued under the scheme are:

- not more than the number of shares representing 10 per cent. of the ordinary share capital in issue immediately following the Extraordinary General Meeting of the Company held on 23rd April 1992 may be issued under the scheme although this limit may be adjusted to take account of rights and capitalisation issues and any sub-division, consolidation, reduction or other variation of the Company's share capital;
- in any 10 year period not more than 5 per cent. of the issued share capital for the time being may in aggregate be placed under option under the scheme and any executive share option scheme adopted by the Company;
- in any 5 year period not more than 5 per cent. of the issued share capital for the time being may in aggregate be subscribed or placed under option under the scheme or any other employees' share scheme adopted by the Company; and
- in any 10 year period not more than 10 per cent. of the issued share capital for the time being may in aggregate be subscribed or placed under option under the scheme or any other employees' share scheme adopted by the Company.

9. Principal subsidiary and associated undertakings

Northern Leisure Inc PLC is the Company's principal trading subsidiary. Its principal activity is the operation of nightclubs throughout Great Britain. It is wholly owned by the Company, has an issued share capital of 1,104,000 ordinary shares of £1 each and has its registered office at 1 Primrose Hill, Preston, Lancashire, PR1 4BX.

The Company has the following other wholly owned subsidiaries:

Name	*Registered in*	*Issued ordinary share capital*	*Nature of Business*
Barnsley Dancing & Investments Limited	England	£1,000	Dormant
Britannia Leisure Limited	England	£100	Property
Burnley Dancing & Investments plc	England	£250,000	Property
Cannock Dancing & Investments PLC	England	£250,000	Property
Dartford Dancing & Investments plc	England	£500,000	Property
Edgbaston Dancing & Investments Limited	England	£300,000	Property
Figureaction Company Limited	England	£3,720	Dormant
Folkestone Dancing & Investments Limited	England	£2	Property
Fourwinds Leisure Limited	England	£100	Dormant
Harlow Dancing & Investments PLC	England	£200,000	Property
Harrogate Dancing & Investments PLC	England	£250,000	Property
Kettering Dancing & Investments plc	England	£250,000	Property
Kidderminster Dancing & Investments plc	England	£100,000	Property
King of Clubs Limited	England	£1,000	Dormant
Loughborough Dancing & Investments plc	England	£100,000	Property
Marlyns (Hereford) Limited	England	£100	Property
Northern Leisure (Southern) Limited	England	£500,000	Property
Oxford Dancing & Investments plc	England	£50,000	Property
Reading Dancing & Investments plc	England	£50,000	Dormant
Revelwell Limited	England	£100,100	Property
RiverBlue Limited	England	£100	Dormant
Sarcro Leisure Limited	England	£2,000	Property
Sheffield Dancing & Investments PLC	England	£300,000	Property
Speedbury Limited	England	£100	Dormant
Tayside Taverns Limited	Scotland	£100	Property
Tivoli Developments (Buckley) Limited	England	£100	Dormant
Torquay Dancing & Investments PLC	England	£200,000	Property
Worthing Dancing & Investments PLC	England	250,000	Property
Yarflax Limited	England	£4,500	Dormant
Unicorn Holdings Limited	Scotland	£375,000	Property
Electric Garden Leisure Limited	Scotland	£1,000	Property
Shawlands Leisure Limited	Scotland	£2	Property
Unicorn Leisure (FIFE) Limited	Scotland	£100	Property
Unicorn Leisure (KINGSTON) Limited	Scotland	£100	Property
Unicorn Leisure (SOUTH) Limited	Scotland	£100	Property

10. Principal establishments

Northern Leisure owns freehold properties and occupies a number of leasehold properties, none of which account individually for more than ten per cent. of the turnover of Northern Lesisure.

11. United Kingdom taxation

The comments below are only a guide to the general position based on the Company's understanding of current United Kingdom law and practice. They may not apply to certain classes of persons such as dealers. If you are in any doubt as to your tax position or if you are subject to tax in a jurisdiction other than the United Kingdom, you should consult your own professional advisers.

11.1 Sale of Fife Shares for the issue of New Northern Leisure Shares

(a) *Taxation of chargeable gains*

Liability to UK taxation in respect of chargeable gains will depend on the individual circumstances of Fife Shareholders.

A Fife Shareholder who, either alone or together with persons connected with him, does not hold more than five per cent. of, or of any class of, the share capital of Fife will not be treated as making a disposal for the purposes of UK taxation on capital gains by accepting the Offer to the extent that he receives New Northern Leisure Shares in exchange for his shares. Any gain or loss which would otherwise have arisen on a disposal of his Fife Shares will be rolled over into the New Northern Leisure Shares and the New Northern Leisure Shares will be treated as the same asset as his Fife Shares acquired at the same time and for the same consideration as he acquired the relevant Fife Shares.

Any Fife Shareholder who, either alone or together with persons connected with him, holds more than five per cent. of, or of, any class of the share capital of Fife will be treated in the manner described in the preceding paragraph subject to certain conditions laid down in section 137 of the Taxation of Chargeable Gains Act 1992. An application under section 138 of the Taxation of Chargeable Gains Act 1992 requesting advance clearance from the Board of Inland Revenue that such Fife Shareholders will be treated as detailed in the preceding paragraph was made and has been granted.

A subsequent disposal of New Northern Leisure Shares may, depending on the holder's individual circumstances, give rise to UK taxation on chargeable gains.

Any chargeable gain or allowable loss on disposal of the New Northern Leisure Shares should be calculated taking into account the allowable original cost to the holder of acquiring the relevant Fife Shares. Relief and allowances will be available to shareholders as follows:

(i) Individuals and trustees

Indexation allowance on the allowable original cost (or possibly the market value of the shareholding on 31 March 1982), to the holder of the relevant Fife Shares who acquired the shares prior to 1 April 1998 should be available (when calculating a chargeable gain but not an allowable loss up to and including April 1998). In respect of the period of ownership beginning on 6 April 1998 taper relief will be available which will reduce the amount of the taxable gains arising on the disposal of assets by a defined percentage which increases the longer such asset is held. The period of ownership for the purposes of taper relief is not broken by the exchange of Fife Shares for New Northern Leisure Shares.

(ii) Companies

Indexation allowance on the allowable original cost to the holder of acquiring the relevant Fife Shares should be available (when calculating a chargeable gain but not an allowable loss) in respect of the entire period of ownership of the Fife Shares. Taper relief is not available to companies within the charge to corporation tax.

(b) *Taxation of Dividends*

This section sets out the law as it applies to dividends paid after 5 April 1999.

(i) Northern Leisure

Under United Kingdom taxation legislation, no tax will be withheld from dividend payments by the Company. There is no longer any requirement for the Company to account to the Inland Revenue for advance corporation tax.

(ii) Northern Leisure Individual Shareholder

An individual Northern Leisure Shareholder who is resident in the United Kingdom for tax purposes ("a UK individual shareholder") will be entitled to a tax credit in respect of any dividend received from the Company and will be taxable on the aggregate of the dividend and the tax credit ("the gross dividend"). The value of the tax credit will be one ninth of the dividend. The gross dividend will be treated as the top slice of an individual's income. The tax credit cannot be reclaimed from the Inland Revenue by a UK individual shareholder whose income is not taxable. However, individual shareholders who hold their New Northern Leisure shares in an Individual Savings Account will be entitled to recover the tax credit on dividends paid by Northern Leisure until April 2004. In the case of a UK individual shareholder who is liable to income tax at only the lower rate or the basic rate, the tax credit will in each case discharge his tax liability in respect of the gross dividend and he will have no further tax to pay and no right to reclaim any repayment from the Inland Revenue.

In the case of a UK individual shareholder who is liable to income tax at the higher rate, the tax credit will be set against but will not fully discharge his tax liability on the gross dividend and he will have to pay additional tax equal (at present rates) to 22½ per cent. of the gross dividend, to the extent that such sum, when treated as the top slice of his income, falls above the threshold for higher rate income tax.

(iii) Northern Leisure Trustee Shareholder

United Kingdom resident trustees who are liable to tax at the basic rate will have no further income tax liability on a dividend they receive, as the tax credit attaching to the dividend will discharge their liability on tax on that dividend. Trustees of UK resident discretionary trusts will be liable to income tax of 25 per cent. (at current rates) of the gross dividend. This will mean that such shareholders will have an additional tax liability equal to 15 per cent. (at current rates) of the gross dividend.

(iv) Northern Leisure Corporate Shareholder

A United Kingdom tax resident corporate shareholder will generally not be liable to United Kingdom corporation tax on any dividend received from Northern Leisure.

(v) Northern Leisure Non-Resident Shareholder

The rights of a shareholder who is not resident in the United Kingdom for tax purposes to claim any part of the tax credit attaching to the dividend received will depend upon the existence and terms of any double taxation convention between the United Kingdom and the country in which he is resident. Following the reduction in the tax credit to one ninth of the cash dividend, any entitlement to claim a repayment of all or part of the tax credit will either cease entirely or reduce to virtually nil. A shareholder who is not resident in the United Kingdom for tax purposes should consult his own tax adviser concerning his tax liabilities on dividends received (in the UK and any other country), his entitlement to claim any part of the tax credit and, if he is so entitled, the procedure for doing so. A shareholder resident outside the United Kingdom may also be subject to taxation on dividend income under the law of their country of residence.

(c) *Stamp Duty and stamp duty reserve tax ("SDRT")*

No stamp duty or SDRT is payable on the issue of the New Northern Leisure Ordinary Shares.

11.2 Bonus Issue of Northern Leisure Share Warrants by Northern Leisure to existing Northern Leisure Shareholders

(a) *Taxation of Chargeable Gains*

Liability to UK taxation in respect of chargeable gains depend on the individual circumstances of existing Northern Leisure Shareholders.

(i) Receipt of Northern Leisure Share Warrants

An existing Northern Leisure Shareholder on receipt of Northern Leisure Share Warrants will not be treated as making a disposal of the original Northern Leisure Shares or an acquisition of the Share Warrants. The transaction will be treated as a reorganisation, and any gain or loss which would otherwise have arisen on the reorganisation will be rolled over into the existing Northern Leisure Shares, such that the Northern Leisure Share Warrants and Northern Leisure Shares will be treated as the same asset acquired as the original shares were acquired.

(ii) Exercise of Conversion Rights

The exercise of the conversion rights attached to the Northern Leisure Share Warrants to acquire Northern Leisure Shares will also constitute a reorganisation with the same results as set out above in relation to the Bonus Issue. The base cost of the holding of Northern Leisure Shares and Northern Leisure Ordinary Shares acquired on Conversion of the Bonus Deferred Share Warrants will be increased by the amount paid on conversion. Taper relief and indexation allowance will apply to the base cost only from the date of payment.

(iii) The Sale of Northern Leisure Share Warrants

The disposal of Northern Leisure Share Warrants by a Northern Leisure Shareholder will result in a part disposal of the original holding of Northern Leisure Shares and part of the base cost attributable to the original holding of Northern Leisure Shares is treated as having been given for the Share Warrants. The proportion is calculated by applying the fraction A/(A+B) to the base cost. Where A is the value of the Share Warrants and B is the value of the Northern Leisure Shares and Northern Leisure Share Warrants retained. Relief and allowances will be available to the Shareholder as follows:

(A) Individuals and Trustees

Indexation allowance on the allowable original cost (or possibly the market value of the shareholding on 31 March 1982), to the holder of the relevant Northern Leisure Shares who acquired the shares prior to 1 April 1998 should be available (when calculating a chargeable gain but not an allowable loss up to and including April 1998). In respect of the period of ownership beginning on 6 April 1998 taper relief will be available which will reduce the amount of the taxable gains arising on the disposal of assets by a defined percentage which increases the longer such asset is held. The period of ownership for the purposes of taper relief is not broken by the reorganisation resulting from the issue of Northern Leisure Share Warrants and/or the exercise of conversion rights in relation thereto.

(B) Companies

Indexation allowance on the allowable original cost to the holder of acquiring the relevant Northern Leisure Shares should be available (when calculating a chargeable gain but not an allowable loss) in respect of the entire period of ownership of the Northern Leisure Shares. Taper relief is not available to companies within the charge to corporation tax.

(b) *Taxation of Dividends*

In normal circumstances, the Northern Leisure Share Warrants will not pay a dividend.

(c) *Stamp Duty and Stamp Duty Reserve Tax ("SDRT")*

No Stamp Duty or SDRT is payable on the issue of the Northern Leisure Share Warrants.

11.3 Section 703 ICTA 1988

Shareholders are advised that advance clearance from the Inland Revenue has been sought in connection with these arrangements under Section 707 ICTA 1998. No clearance has been received.

THE ABOVE PARAGRAPHS ARE A GENERAL GUIDE ONLY, AND ARE NOT EXHAUSTIVE. IF YOU ARE IN ANY DOUBT AS TO YOUR TAXATION POSITION YOU SHOULD CONSULT AN APPROPRIATE INDEPENDENT ADVISOR IMMEDIATELY.

12. Material contracts

The following are the only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by any member of the Northern Leisure Group within the two years immediately preceding the date of this document and which are, or may be, material:

(a) A placing agreement dated 13 January 1998 between Northern Leisure (1) and Baring Brothers International Limited ("BBIL") (2) pursuant to which BBIL agreed to make an open offer of Northern Leisure Shares as agent of the Company and to procure subscribers for, or to itself subscribe for, certain shares not taken up under the open offer. The total commision payable was 1.25 per cent. on those shares placed firm with institutional investors and 2 per cent. on those shares offered to qualifying shareholders which were placed subject to clawback, plus in each case 0.25 per cent. for each period of 7 days or part thereof after 11 February 1998 during which BBIL's commitment was outstanding. Out of these commissions BBIL was paid underwriting commissions of 0.5 per cent. of the gross proceeds of the placing and open offer and, in consideration of its services as brokers, Colins Stewart was paid a commission of 0.25 per cent. of the gross proceeds of the placing and open offer. This agreement contained certain representations, warranties and undertakings which were usual for a document of this nature by the Company in favour of Barings. The liability of the Company under the aforementioned representations, warranties and undertakings ceased on 29 November 1998.

(b) An agreement dated 3 May 1999 between Northern Leisure (1) and the Proposed Directors pursuant to which the Proposed Directors conditionally subscribed for New Northern Leisure Shares and Share Warrants. The agreement is conditional upon,*inter alia,* approval of Fife shareholders and Northern Leisure Shareholders, the Offer being declared wholly unconditional and Admission taking place not later than 30 September 1999. The agreement provides for Adam Mills to subscribe for 1,066,666 New North Leisure Shares and 355,555 Northern Leisure Share Warrants at an aggregate price of £2.0 million Ray McEnhill to subscribe for 800,000 New Northern Leisure Shares and 266,666 Northern Leisure Share Warrants at an aggregate price of £1.5 million; and John Pattisson to subscribe for 72,463 New Northern Leisure Shares at an aggregate price of £0.125 million. The agreement does not contain any representations, warranties or indemnities.

(c) An agreement dated 5 May 1999 between Northern Leisure (1) and Messrs. Hanson and Preston (2) relating to their subscription for New Northern Leisure Shares and Share Warrants. The agreement is conditional upon, *inter alia,* Northern Leisure shareholder approval; the Offer being declared wholly unconditional and Admission taking place not later than 30 September 1999. The terms of this agreement provide for Don Hanson to subscribe for 466,666 New Northern Leisure Shares and 155,555 Northern Leisure Share Warrants at an aggregate price of £0.875 million and Clive Preston to subscribe for 266,666 New Northern Leisure Shares and 88,888 Northern Leisure Share Warrants at an aggregate price of £0.5 million. The agreement does not contain any representations, warranties or indemnities.

(d) An Agreement dated 2 June 1999 between Northern Leisure Inc plc (1) and the C.M. Crane Accumulation & Maintenance Trust, the M.J. Kane Accumulation & Maintenance Trust, C.M. Crane, M. Crane, M.J. Kane, J. Quigley, A. Brown and D. McEwen (together the "Vendors") relating to the acquisition by Northern Leisure Inc plc of the entire issued share capital of Unicorn Holdings Limited ("Unicorn"). Pursuant to the agreement Northern Leisure Inc plc acquired Unicorn (which is the holding company for a group of subsidiaries) and immediately sold three subsidiaries (Unicorn Leisure (Harlow) Limited, Unicorn Leisure Limited and Shoot Super Soccer Limited) back to the Vendors. The agreement contained warranties and indemnities in the usual form for a document of its nature given by the Vendors to Northern Leisure Inc plc pursuant to which the Vendors' liability was capped at the consideration price. The net consideration paid by Northern Leisure Inc plc pursuant to the agreement is approximately £9.0 million, subject to adjustments which have not yet been completed.

13. Licences

The Group's sole activity is the operation of dancing businesses throughout England, Scotland and Wales. This activity is dependent upon the grant of the usual trading licences to enable it to operate its discotheques in the normal course.

14. Indebtedness of Northern Leisure

At the close of business on 30 April 1999, the total indebtedness of Northern Leisure was as follows:

	Northern Leisure *£'000*
Bank loans and overdrafts	44,750
Finance lease obligations	33
	44,783

The loans and overdrafts in Northern Leisure are secured by fixed and floating charges over the assets of the group. In addition, Northern Leisure has given various bank guarantees totalling £0.4 million.

Save as disclosed above and apart from intra-group transactions and guarantees, as at 30 April 1999 Northern Leisure had no loan capital outstanding (whether issued or created but unissued), term loans or other borrowings or indebtedness in the nature of borrowing, including bank overdrafts, liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, obligations under finance leases, mortgages, charges, guarantees or other contingent liabilities.

At the close of business on 30 April 1999, Northern Leisure had cash at bank and in hand of £567,000.

15. Working Capital

The Directors are of the opinion that Northern Leisure has sufficient working capital for its present requirements, that is, for the next 12 months from the date of this document, taking into account its bank and other facilities.

16. General

16.1 *Litigation*

There are no litigation or arbitration proceedings which may have, or have had during the preceeding twelve months a significant effect on the financial position of the Group and the Company is not aware of any such litigation or arbitration which is pending or threatened.

16.2 *Significant changes*

Save as disclosed in paragraph 9 of Part II of this document, there has been no significant change in the financial or trading position of the Northern Leisure Group since 28 February 1999, the date to which the last unaudited interim accounts were prepared.

16.3 *Auditors and annual accounts*

The auditors of the Company are KPMG Audit Plc, chartered accountants, of 8 Salisbury Square, Blackfriars, London EC4Y 8BB who audited the accounts of the Company in respect of the three financial years ended 31 August 1998 and gave an unqualified report in respect of each of those years.

16.4 *Consents*

ING Barings has given and not withdrawn its written consent to the use of its name in this document in the form and context in which it appears.

16.5 *Registrars and paying agents*

The registrars and paying agents for Northern Leisure are Lloyds TSB Registrars, 117 Dundas Street, Edinburgh EH3 5ED, and the receiving agent for the Offer is Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA.

16.6 *Expenses*

The expenses of or incidental to the Offer, the preparation and circulation of the documents relating to the Offer (including stamp duty) are payable by Northern Leisure and are estimated to amount to approximately £925,000 (excluding Value Added Tax). No fees are payable to any financial intermediaries.

16.7 *Share premium*

(a) Based on the closing middle market quotations of Northern Leisure Shares derived from the Daily Official List on 30 April 1999, the latest dealing date prior to the announcement of the Offer, the New Northern Leisure Shares to be issued pursuant to the Offer will be issued at a premium of 162.5p per share over their nominal value of 10p.

(b) The New Northern Leisure Shares to be issued pursuant to the Subscriptions will be issued at 172.5p per share, i.e. at a premium of 162.5p per share over their nominal value of 10p.

(c) The Northern Leisure Share Warrants to be issued pursuant to the Bonus Issue will be issued credited as fully paid at 0.01p per share which is equal to their nominal value.

(d) The Northern Leisure Share Warrants to be issued pursuant to the Subscriptions will be issued at 45p per share, ie at the premium of 44.99p per share over their nominal value of 0.01p.

17. Year 2000

The Board have for some time considered the risks and uncertainties connected with this issue and the potential implications they may have on Northern Leisure's business and, accordingly, reviewed its internal systems relating thereto in 1997. The Board established a formal project team to take the necessary action to ensure that as far as possible its systems were Year 2000 compliant by March 1999.

The project team has now taken the necessary action to ensure that in all material respects its internal systems are Year 2000 compliant. Non-compliant systems have been replaced or are being upgraded as part of the Company's continuing programme of investment in information technology.

All key suppliers have been contacted by the project team and they are working together to ensure that there is continuity of supply.

The costs specific to address the Year 2000 problem are not considered material and they are charged against profit as incurred.

18. Documents available for inspection

Copies of the documents referred to below will be available for inspection during normal business hours on any weekday (Saturdays and public holidays excepted) at the offices of Herbert Smith at Exchange House, Primrose Street, London EC2A 2HS, while the Offer remains open for acceptances:

18.1 the memorandum and articles of association of each of Northern Leisure and Fife;

18.2 the audited consolidated accounts of Northern Leisure for the three financial years ended 31 August 1998;

18.3 the audited consolidated accounts of Fife for the three financial years ended 31 December 1998;

18.4 the proposed service agreements and letter of appointment of the Proposed Directors;

18.5 the material contracts referred to in paragraph 12 of Part V of this document;

18.6 the rules of the Northern Leisure Share Option Schemes referred to in paragraph 8 of Part V of this document;

18.7 the consent letter specified in paragraph 16.4 of Part V of this document;

18.8 the irrevocable undertakings referred to in paragraph 4 on page 8 of this document;

18.9 the circular to Fife Shareholders detailing the disposal of Thomson Brothers;

18.10 this document, the Circular, the Offer Document and the Form of Acceptance;

18.11 the service agreements and letters of appointment of the Directors and the memorandum setting out Mr Oppenheim's terms of employment referred to in paragraph 7.4 of Part V of this document;

18.12 the agreement between Hanson Arbitrage Research & Trading (1) the Company (2) dated 28 May 1999 referred to in paragraph 7.4 of Part V of this document;

18.13 the two agreements between J.N. Oppenheim (1) and the Company (2) referred to in paragraph 7.4 of Part V of this document;

18.14 the agreement between C H Preston (1) and the Company (2) dated 27 May 1999 referred to in paragraph 7.4 of Part V of this document;

18.15 the Northern Leisure Quarterly Statement issued on 2 June 1999 referred to in paragraph 9 of Part II of the document; and

18.16 the Northern Leisure unaudited interim statement for the 6 months ended 28 February 1999.

Dated 3 June 1999

LISTING PARTICULARS

COMPANY NAME: NEW ALLIED DOMECQ PLC

COMPANY NUMBER: 3771147

DATE OF DOCUMENT: 9-6-99

DATE OF RECEIPT: 9-6-99

ALLIED DOMECQ

Listing particulars

Relating to the issue of ordinary shares in new Allied Domecq PLC and the proposed disposal of the UK Retail Business