

2188184

northern*leisure* plc

Annual report and accounts 2000



Directors

Directors

Michael Arnold - Chairman
Stephen Thomas - Chief Executive
Niven Ballantyne
Andrew Burns
Peter Marks
Andrew McIvor
Brendan McLoughlin
Clive Preston
Robert Wickham *

* non-executive

Secretary

Andrew Stride

Registered office

1 Primrose Hill
Preston
Lancashire
PR1 4BX

Registered number

2188184

Directors' report

The directors present their report and financial statements for the twelve months ended 2 July 2000.

Principal activities

The principal activity of the group is the operation of dancing businesses throughout Great Britain.

Review of the business

The group invested £23 million in acquiring new businesses during the year and in November 1999 acquired Rank Entertainment Limited at a cost of £150 million.

On 11 July 2000 Luminar plc acquired the whole of the issued share capital and warrants of Northern Leisure PLC. The company's shares and warrants had full listings on the London Stock Exchange, but as a result of the acquisition by Luminar plc the company's shares and warrants will be delisted. The shares of Luminar plc are listed on the London Stock Exchange.

Results

The results for the group for the year ended 2 July 2000 are set out in the consolidated profit and loss account on page 6. The profit on ordinary activities amounted to £22,602,000 (ten months to 4 July 1999: £9,122,000).

Dividends

An interim dividend of 2.25p was paid on 28 April 2000 (ten months to 4 July 1999 : 5.75p).

The directors do not recommend a final dividend to be paid (ten months to 4 July 1998: nil), however upon the offer by Luminar plc becoming unconditional on the 11 July 2000 the company will pay a special dividend to its shareholders of 4.5p per share. The special dividend has not been provided for within the financial statements, and was paid on 11 July 2000.

Share issues

Details of share issues in the period are set out in note 18 to the accounts.

Donations

No political contributions or donations to charity were made by the group during the period.

Directors

The names of the present directors of the company are listed on page 1.

Peter Marks and Andrew McIvor retire in accordance with the Articles of Association and, being eligible, offer themselves for re-election.

Nicholas Oppenheim resigned as a director on 4 October 1999. Adam Mills, Ray McEnhill, Matthew Streets, John Pattisson and Don Hanson all resigned as directors on 11 July 2000 following the acquisition of the group by Luminar plc.

Michael Arnold, Stephen Thomas and Andrew Burns were appointed on 27 July 2000, and, being eligible, offer themselves for election.

Directors' interests

The interests of the directors in the share capital of the company are shown in note 20 to the financial statements.

Creditor payment policy

The company had no trade creditors at 2 July 2000 (4 July 1999 : nil). The group does not follow any formal code in relation to payment of creditors; however, the group's policy for settlement of debts has been set to maintain supplier relationships whilst maximising value to shareholders. The number of days' purchases outstanding at the end of the financial period for the group amounted to 17 days (4 July 1999 : 27 days).

Employment policies

The group acknowledges its duty to offer employment opportunities to disabled people. Where possible, employees who become disabled during the course of their employment will be retained.

It is the group's policy to carry on its business so as to avoid causing any unnecessary or unacceptable health and safety risks to its employees and customers. To ensure that high standards are maintained a training and operational programme is pursued to maintain staff awareness of the health and safety aspects of the group's businesses.

The directors attach importance to good communications and relations with the group's employees. Where possible meetings are held in order to fulfil this objective.

All salaried employees are eligible, after one year's service, to participate in the group's share option schemes.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution is to be proposed at the forthcoming Annual General Meeting for the re-appointment of KPMG Audit Plc as auditors of the company.

By order of the Board



Secretary

Date 5th September 2000

1 Primrose Hill, Preston, Lancashire PR1 4BX

Statement of directors' responsibilities for the financial statements

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and the group and of the profit or loss for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Auditors report to the members of Northern Leisure PLC

We have audited the financial statements on pages 6 to 27.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 2 July 2000 and of the profit of the group for the period then ended and have been properly prepared in accordance with the companies Act 1985.

KPMG Audit Plc.

KPMG Audit Plc

Chartered Accountants

Registered Auditor

5th September 2000

London

Consolidated profit and loss account

For the year ended 2 July 2000

	Notes	Year ended 2 July 2000			Ten months ended 4 July 1999		
		Before		Total	Before		Total
		exceptional	Exceptional		exceptional	Exceptional	
		items	items		items	items	
		£000	£000	£000	£000	£000	£000
Turnover							
Continuing operations	2						
Ongoing operations		85,461	-	85,461	62,367	-	62,367
Acquired operations		64,375	-	64,375	-	-	-
		149,836	-	149,836	62,367	-	62,367
Cost of sales	2	(101,977)	(5,203)	(107,180)	(41,401)	(3,028)	(44,429)
Gross profit		47,859	(5,203)	42,656	20,966	(3,028)	17,938
Administrative expenses		(7,580)	(4,657)	(12,237)	(4,705)	(1,672)	(6,377)
Operating profit							
Continuing operations							
Ongoing operations		19,850	(6,466)	13,384	16,261	(4,700)	11,561
Acquired operations		20,429	(3,394)	17,035	-	-	-
Continuing operations		40,279	(9,860)	30,419	16,261	(4,700)	11,561
Profit on ordinary activities before interest		40,279	(9,860)	30,419	16,261	(4,700)	11,561
Net interest payable and other similar charges	5	(7,817)	-	(7,817)	(2,439)	-	(2,439)
Profit on ordinary activities before taxation	2	32,462	(9,860)	22,602	13,822	(4,700)	9,122
Tax on profit on ordinary activities	6	(8,602)	-	(8,602)	(4,070)	502	(3,568)
Profit for the financial period		23,860	(9,860)	14,000	9,752	(4,198)	5,554
Dividends	7	(4,096)	-	(4,096)	(7,164)	-	(7,164)
Retained profit for the financial period	19	19,764	(9,860)	9,904	2,588	(4,198)	(1,610)

Consolidated balance sheet

At 2 July 2000

	Notes	2 July 2000		4 July 1999	
		£000	£000	£000	£000
Fixed assets					
Intangible assets					
Goodwill	9	25,656		7,317	
Negative goodwill	9	(22,307)		(23,056)	
			3,349		(15,739)
Tangible assets	10		304,923		150,043
Investments	11		700		700
			<u>308,972</u>		<u>135,004</u>
Current assets					
Stocks	12		1,859		1,077
Debtors : amounts due within one year	13	5,741		3,897	
Debtors : amounts due after more than one year	13	-		199	
			5,741		4,096
Investments			-		20
Cash at bank and in hand	14		1,451		16,159
			<u>9,051</u>		<u>21,352</u>
Creditors: amounts falling due within one year					
Trade creditors			8,014		2,748
Other creditors	15		32,578		17,079
			<u>40,592</u>		<u>19,827</u>
Net current (liabilities)/assets			<u>(31,541)</u>		<u>1,525</u>
Total assets less current liabilities			<u>277,431</u>		<u>136,529</u>
Creditors: amounts falling due after more than one year					
Bank loans and overdrafts	16		124,985		53,500
			<u>152,446</u>		<u>83,029</u>
Equity capital and reserves					
Called-up share capital	18		18,206		12,748
Share premium account	19		100,796		45,759
Merger reserve	19		7,905		-
Shares to be issued	19		-		16,793
Profit and loss account	19		25,539		7,729
			<u>152,446</u>		<u>83,029</u>

The financial statements were approved by the Board of Directors on 5th September 2000 and signed on its behalf by :

Stephen Thomas

Director

Andrew Burns

Director

Balance sheet

At 2 July 2000

		2 July 2000	4 July 1999
	Notes	£000	£000
Fixed assets			
Investments	11	129,020	62,971
Current assets			
Debtors : amounts due within one year	13	13	10,013
Creditors: amounts falling due within one year			
Other creditors	15	-	4,368
Net current assets		13	5,645
		129,033	68,616
Equity capital and reserves			
Called-up share capital	18	18,206	12,748
Share premium account	19	100,796	45,759
Shares to be issued	19	-	982
Profit and loss account	19	10,031	9,127
		129,033	68,616

The financial statements were approved by the Board of Directors on 5th September 2000 and signed on its behalf by :

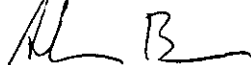
Stephen Thomas

Director



Andrew Burns

Director



Consolidated cash flow statement

For the year ended 2 July 2000

		Year ended 2 July 2000 £000	Ten months ended 4 July 1999 £000
	Notes		
Net cash inflow from operating activities	24	43,340	20,234
Returns on investments and servicing of finance			
Interest paid		(5,513)	(2,163)
Interest received		132	2
Bank fees on loan facilities		(36)	(30)
Net cash outflow from returns on investments and servicing of finance		(5,417)	(2,191)
Taxation			
Corporation tax paid		(6,046)	(3,800)
Advance corporation tax paid		-	(1,766)
Tax paid		(6,046)	(5,566)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(11,190)	(8,307)
Sale of tangible fixed assets		2,206	-
Net cash outflow from capital expenditure and financial investment		(8,984)	(8,307)
Acquisitions and disposals			
Purchases of businesses		(169,335)	(13,230)
Net cash outflow from acquisitions and disposals		(169,335)	(13,230)
Equity dividends paid		(8,464)	(7,113)
Net cash outflow before financing		(154,906)	(16,173)
Financing			
Issue of ordinary share capital		62,448	5,861
Issue of share warrants		-	390
Drawdown of loan facilities		81,500	25,795
Expenses paid in connection with loan facilities		(2,399)	-
Expenses paid in connection with share issue		(2,935)	-
Net cash inflow from financing		138,614	32,046
(Decrease)/increase in cash	24	(16,292)	15,873

Statement of total recognised gains and losses

For the year ended 2 July 2000

	Group	
	Year ended 2 July 2000 £000	Ten months ended 4 July 1999 £000
Profit for the financial period	14,000	5,554
Total recognised gains for the period	14,000	5,554
Prior year adjustments	-	(36,303)
Total recognised gains since the last financial statements	14,000	(30,749)

Movements in shareholders' funds

For the year ended 2 July 2000

	Group		Company	
	Year ended 2 July 2000 £000	Ten months ended 4 July 1999 £000	Year ended 2 July 2000 £000	Ten months ended 4 July 1999 £000
Profit for the financial period	14,000	5,554	5,000	10,000
Dividends	(4,096)	(7,164)	(4,096)	(7,164)
Retained profit for the period	9,904	(1,610)	904	2,836
New share capital issued (net of costs)	59,513	6,251	59,513	6,251
Shares to be issued	-	16,793	-	982
Net increase in shareholders' funds	69,417	21,434	60,417	10,069
Opening shareholders' funds	83,029	61,595	68,616	58,547
Closing shareholders' funds	152,446	83,029	129,033	68,616

Notes to the accounts

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements, except as detailed below;

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable Accounting Standards.

The trading results include transactions up to and including the nearest Sunday to 30 June, which this year was 2 July (1999: 4 July). 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.

On acquisition of a subsidiary or business, the book values of separable assets and liabilities are adjusted, if necessary, to reflect the directors' estimate of fair values. Any goodwill, being the difference that arises between the fair value of consideration paid for a subsidiary or business and the fair value placed upon the separable assets and liabilities acquired, is capitalised within fixed assets in accordance with Financial Reporting Standard (FRS) 10.

Positive goodwill is amortised to nil by equal instalments over its estimated useful life.

Negative goodwill arising in respect of acquisitions is released to the profit and loss account in the periods in which the fair values of the non-monetary assets purchased in the same acquisition are recovered, whether through depreciation or sale.

Where merger relief is applicable under Section 131 of the Companies Act 1985, the difference between the fair value of the business acquired and the nominal value of the shares issued as purchase consideration is treated as merger reserve, on consolidation.

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 sold, including the unamortised goodwill relating to the acquisition of those subsidiaries or businesses.

Turnover

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

Cost of sales

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

1 Accounting policies continued

Depreciation

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

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

In accordance with FRS15, 'Tangible Fixed Assets', the group has revised the basis under which it depreciates properties. Freehold properties are now depreciated over 50 years and leasehold properties over the lesser of 50 years or the outstanding term of the lease, down to their residual values.

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

It is the policy of the group not to capitalise interest charged on directly attributable borrowings during the development phase of a business, other costs incurred prior to opening, nor launch costs.

Operating leases

Amounts payable under operating leases are charged to the profit and loss account on a straight line basis over the lives of the leases.

Pensions

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

Stocks

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

Taxation

The group provides for deferred taxation arising from timing differences to the extent the asset or liability is expected to crystallize in the foreseeable future.

Debt and debt instruments

Debt is initially recorded as the net proceeds received after deducting arrangement fees. Arrangement fees 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. The group has taken advantage of the exemption offered by FRS 13 which allows the group to exclude disclosures relating to short-term debtors and creditors.

2 Turnover, profit on ordinary activities and net assets

a) segmental information

	Turnover		Net assets	
	2000	1999	2000	1999
	52 weeks	44 weeks		
	£000	£000	£000	£000
Turnover and net assets				
Continuing operations				
Dancing	149,836	62,367	277,431	136,529
Funding	-	-	(124,985)	(53,500)
	<u>149,836</u>	<u>62,367</u>	<u>152,446</u>	<u>83,029</u>

	Profit on ordinary activities before goodwill amortisation, depreciation and impairment costs		Goodwill amortisation, depreciation and impairment costs		Profit on ordinary activities before taxation	
	2000	1999	2000	1999	2000	1999
	52 weeks	44 weeks	52 weeks	44 weeks	52 weeks	44 weeks
	£000	£000	£000	£000	£000	£000
Profit on ordinary activities before taxation						
Continuing operations						
Dancing						
- non-exceptional operating items	55,116	24,677	7,257	3,711	47,859	20,966
- exceptional items	-	-	5,203	3,028	(5,203)	(3,028)
	<u>55,116</u>	<u>24,677</u>	<u>12,460</u>	<u>6,739</u>	<u>42,656</u>	<u>17,938</u>
Administration						
- non-exceptional operating items	(7,206)	(4,494)	374	211	(7,580)	(4,705)
- exceptional items	(236)	(1,672)	4,421	-	(4,657)	(1,672)
Total continuing operations	<u>47,674</u>	<u>18,511</u>	<u>17,255</u>	<u>6,950</u>	<u>30,419</u>	<u>11,561</u>
Net interest	<u>(7,817)</u>	<u>(2,439)</u>	<u>-</u>	<u>-</u>	<u>(7,817)</u>	<u>(2,439)</u>
	<u>39,857</u>	<u>16,072</u>	<u>17,255</u>	<u>6,950</u>	<u>22,602</u>	<u>9,122</u>

All turnover and profits arise in the UK. The operating profit of acquired operations is stated after charging £45,354,000 (1999: £3,317,000) cost of sales and £2,449,000 (1999: £nil) administration expenses.

2 Turnover, profit on ordinary activities and net assets continued

b) Profit and loss

	2000	1999
	52 weeks	44 weeks
	£000	£000
i) The operating result is stated after charging the following:		
Cost of sales: continuing operations	<u>107,180</u>	<u>44,429</u>

	2000	1999
	52 weeks	44 weeks
	£000	£000
ii) Profit on ordinary activities before taxation is stated after charging the following :		
Depreciation of tangible fixed assets :		
- Property	5,953	-
- Other	7,630	3,922
Amortisation of goodwill	3,672	-
Net profit on sale of tangible fixed assets	(629)	55
Hire of plant and machinery	500	254
Other operating leases	5,893	1,507
Auditors' remuneration and expenses :		
- As auditors	83	70
- Other fees paid to the auditors and their associates	<u>72</u>	<u>43</u>

Included in auditors' remuneration as auditors are audit fees in respect of the company of £5,000 (1999 : £5,000). The fees have been dealt with through the accounts of Northern Leisure Inc PLC. During the period £170,000 was paid to the auditors and their associates in connection with the acquisition of Rank Entertainment Limited. These costs have been capitalised as part of the acquisition costs of Rank Entertainment Limited. In 1999, £204,500 was paid to the auditors and their associates in connection with the acquisition of Fife Group PLC. These costs were capitalised as part of the acquisition costs of Fife Group PLC.

	2000	1999
	52 weeks	44 weeks
	£000	£000
iii) Exceptional items analysis		
Impairment of fixed assets	-	(3,028)
FRS 15 additional depreciation	(5,203)	-
Costs associated with acquisition of Fife Group PLC	-	(1,672)
Costs associated with the acquisition of Rank Entertainment Ltd	(236)	-
Amortisation of goodwill		
- Fife Group PLC	(3,702)	-
- Rank Entertainment Limited	(719)	-
	<u>(9,860)</u>	<u>(4,700)</u>

All the exceptional items are attributable to ongoing operations.

3 Emoluments of directors excluding share options

Remuneration in respect of directors was as follows :

	2000 52 weeks £000	1999 44 weeks £000
Directors emoluments		
i) Included in administrative expenses before exceptional items		
As directors	179	46
As executives		
- remuneration	1,849	581
- pension contributions	76	15
ii) Included in administrative expenses as exceptional items		
As directors	-	50
As executives		
- remuneration	-	34
- pension entitlements	-	1,502
	2,104	2,228

The amounts set out above include remuneration in respect of the highest paid director as follows:

	2000 52 weeks £000	1999 44 weeks £000
Emoluments	388	1,078

A table setting out details of share options held by the directors is given in note 20 to the financial statements.

4 Staff numbers and costs

The average number of persons employed by the group, analysed by category, is as follows :

	2000 52 weeks Number	1999 44 weeks Number
Dancing	4,789	2,274
Administration	109	54
	4,898	2,328

The above number of employees includes 1,934 part-time employees (1999: 1,140).

The aggregate payroll costs of these persons were as follows :

	2000 52 weeks £000	1999 44 weeks £000
Wages and salaries	22,293	9,667
Social security costs	1,607	647
Pension costs	256	54
Staff welfare and other personnel costs	72	33
	24,228	10,401

5 Net interest payable and similar charges

	2000	1999
	52 weeks	44 weeks
	£000	£000
On bank loans and overdrafts	7,593	2,361
Interest receivable	(132)	(2)
Fees	356	80
	<u>7,817</u>	<u>2,439</u>

6 Tax on profit on ordinary activities

	2000	1999
	52 weeks	44 weeks
	£000	£000
UK corporation tax at 30% (1999: 30%)	8,100	4,070
Deferred tax	502	(502)
	<u>8,602</u>	<u>3,568</u>

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

7 Dividends

	2000	1999
	52 weeks	44 weeks
	£000	£000
Increase in prior years dividend	-	5
Interim dividend of 2.25p (1999: 5.75p) per ordinary share.	4,096	7,159
	<u>4,096</u>	<u>7,164</u>

8 Profit for the period for the company

	2000	1999
	52 weeks	44 weeks
	£000	£000
Northern Leisure PLC	<u>5,000</u>	<u>10,000</u>

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

9 Intangible assets

	Positive goodwill £000	Negative goodwill £000	Total £000
Cost			
At 5 July 1999	8,053	(23,056)	(15,003)
Additions	22,760	-	22,760
At 2 July 2000	30,813	(23,056)	7,757
Amortisation			
At 5 July 1999	736	-	736
Charge for the period	4,421	(749)	3,672
At 2 July 2000	5,157	(749)	4,408
Net book value			
At 2 July 2000	25,656	(22,307)	3,349
At 4 July 1999	7,317	(23,056)	(15,739)

Positive goodwill, in respect of the acquisition of Fife Group PLC in 1999, is being amortised over two years to match the initial period of the service contracts granted to the directors, Adam Mills and Ray McEnhill, who joined the company as a consequence of the acquisition.

Positive goodwill, in respect of the acquisition of Rank Entertainment Limited, is being amortised over 20 years.

Negative goodwill arising on prior years' acquisitions will be released to the profit and loss account commensurately with the recovery of the non-monetary assets acquired.

10 Tangible fixed assets

Group	Land and buildings			Fixtures	Total
	Freehold	Long	Short	fittings and	
	£000	leasehold	leasehold	equipment	
	£000	£000	£000	£000	£000
Cost					
At 5 July 1999	75,831	10,174	40,437	39,466	165,908
Additions	58,913	9,158	69,269	32,700	170,040
Transfers	(1,449)	544	3,163	(2,258)	-
Disposals	(792)	(500)	-	(1,076)	(2,368)
At 2 July 2000	132,503	19,376	112,869	68,832	333,580
Provisions for depreciation and impairment					
At 5 July 1999	952	-	2,304	12,609	15,865
Charge for period	1,076	278	4,599	7,630	13,583
Disposals	(16)	-	-	(775)	(791)
At 2 July 2000	2,012	278	6,903	19,464	28,657
Net book value					
At 2 July 2000	130,491	19,098	105,966	49,368	304,923
At 4 July 1999	74,879	10,174	38,133	26,857	150,043

Included within the cost of freehold land and buildings is £13,250,000 (1999: £7,583,000) in respect of land, which is not depreciated.

11 Investments

	Group	
	2000	1999
	£000	£000
Unlisted investments (at cost)	700	700

	Company		
	Subsidiary undertakings		
	Shares	Loans	Total
	£000	£000	£000
Cost and net book value			
At 5 July 1999	5,222	57,749	62,971
Additions	-	66,049	66,049
At 2 July 2000	5,222	123,798	129,020

Subsidiary undertakings

The company's principal subsidiary undertakings (which have been consolidated into these financial statements) are listed below together with details of their businesses. The share capital consists of ordinary shares, all of which are wholly owned. These subsidiaries are incorporated in the United Kingdom and are registered in England and Wales and Scotland.

Company	Country of	
	Nature of business	incorporation and operation
Northern Leisure Inc. PLC	Leisure operator	UK
Fife Group PLC	Investment holding	Scotland/UK

12 Stocks

	2000	1999
	£000	£000
Goods held for resale and consumption	1,859	1,077

13 Debtors

	Group		Company	
	2000	1999	2000	1999
	£000	£000	£000	£000
Due within one year:				
Dividend receivable from subsidiary undertakings	-	-	-	10,000
Trade debtors	870	-	-	-
Other debtors	311	1,074	-	-
Deferred tax asset	-	502	-	-
Prepayments and accrued income	4,560	2,321	13	13
	5,741	3,897	13	10,013
Due after more than one year:				
Prepayments and accrued income	-	199	-	-

14 Cash at bank and in hand

	Group	
	2000	1999
	£000	£000
Floats	1,149	374
Cash at bank	302	6,205
Cash acquired with Fife Group	-	9,580
	<u>1,451</u>	<u>16,159</u>

15 Other creditors

	Group		Company	
	2000	1999	2000	1999
	£000	£000	£000	£000
Bank loans and overdrafts	9,520	-	-	-
Corporation tax	5,828	3,240	-	-
Other taxes and social security	4,717	1,896	-	-
Wages and related costs	91	18	-	-
Accruals	12,422	7,557	-	-
Second interim dividend	-	4,368	-	4,368
	<u>32,578</u>	<u>17,079</u>	<u>-</u>	<u>4,368</u>

16 Bank loans and overdrafts

The group has a £180 million bank loan and overdraft facility which expires on 19 October 2004. The bank loans and overdrafts 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 terms of the facility remain substantially unchanged as a result of the acquisition of the group by Luminar plc on 11 July 2000. The loans and overdrafts are repayable in instalments as follows :

	Group		Company	
	2000	1999	2000	1999
	£000	£000	£000	£000
Within one year	9,520	-	-	-
One to two years	27,020	11,300	-	-
Between two and five years	97,965	42,200	-	-
	<u>134,505</u>	<u>53,500</u>	<u>-</u>	<u>-</u>

17 Deferred tax

The amounts provided and not provided at a corporation tax rate of 30% (1999: 30%) are set out below:

	2000		1999	
	Provided	Unprovided	Provided	Unprovided
	£000	£000	£000	£000
Difference between accumulated depreciation and capital allowances	-	4,360	-	1,970
Short-term timing differences (included as debtors)	-	-	(502)	-
	<u>-</u>	<u>4,360</u>	<u>(502)</u>	<u>1,970</u>

18 Called up share capital

	2000 Number	1999 Number	2000 £000	1999 £000
Authorised :				
Ordinary shares of 10p each	1,111,365,000	175,000,000	11,137	17,500
Share warrants of 0.01p each	15,000,000	15,000,000	2	2
			11,139	17,502
Issued and fully paid :				
Ordinary shares of 10p each	182,054,817	127,474,431	18,205	12,747
Share warrants of 0.01p each	13,335,554	13,346,861	1	1
			18,206	12,748

Shares issued during the period were as follows:

	Number of shares issued	Price paid per share	Fair value of consideration £000
Ordinary shares of 10p each			
Purchase of Fife Group (see below)	9,820,007	171.0p	16,793
Subscription	44,450,470	140.0p	62,231
Exercise of share options	123,602	44.5p	55
	168,000	77.0p	129
	7,000	156.25p	11
Exercise of "A" Warrants	11,307	180.0p	20
	44,760,379		79,239

On 4 July 1999, the group acquired Fife Group PLC. The purchase consideration of £16,793,000 was satisfied by the allotment of 9,820,007 ordinary shares, which were issued and fully paid during the year ended 2 July 2000.

The Northern Leisure share warrants take the legal form of non-equity convertible share capital. However, in substance they are economically equivalent to warrants and have therefore been dealt with in accordance with the provisions of FRS4 "Capital instruments" relating to warrants.

On 4 July 1999, the company made a bonus issue of share warrants of 0.01p each on the basis of one for every ten ordinary shares held and issued 866,664 share warrants to subscribers at a price of 45p each. Each share warrant entitles the holder to subscribe for an ordinary share at a subscription price of 180p per share at any point within seven years from the date of issue. The share warrants do not rank for dividends and have no voting rights except in the event of varying the rights/privileges of the share warrants or winding up of the company. On winding up of the company, the holders of the share warrants are entitled to be paid out of the available assets of the company, a sum equal to the nominal capital paid up thereon, subject to any payment being made to the holders of the ordinary shares. On 11 July 2000 the whole of the issued warrants were acquired by Luminar plc as part of their acquisition of Northern Leisure PLC.

18 Called up share capital continued

Details of the options in respect of ordinary shares and share warrants outstanding as at 2 July 2000 are as follows :

	Number outstanding	Price payable per share	Date exercisable
1992 Share Option scheme			
Issued 1996/1997	757,500	77p	1998-2000
Issued 1997/1998	976,500	156.25p	1999-2001
1998 Executive Share Option scheme			
Basic options			
Issued 1998/1999	1,760,151	83p	2001-2003
Issued 1999/2000	536,150	170p	2004-2009
Issued 1999/2000	580,000	181p	2003-2005
Super options			
Issued 1997/1998	2,903,000	218.25p	2003-2008
Issued 1998/1999	1,807,230	83p	2003-2008
Issued 1999/2000	500,000	170p	2002-2004
Issued 1999/2000	355,000	181p	2005-2010
Special options			
Issued 1998/1999	2,400,000	172.5p	2002-2004
Share warrants	13,335,554	180p	1999-2006

19 Reserves

	Merger reserve £000	Share premium account £000	Shares to be issued £000	Profit and loss account £000
Group				
At 5 July 1999	-	45,759	16,793	7,729
Shares issued	-	55,037	(16,793)	-
Acquisition of business	15,811	-	-	-
Transfer between reserves	(7,906)	-	-	7,906
Retained profit for period	-	-	-	9,904
At 2 July 2000	7,905	100,796	-	25,539

	Merger reserve £000	Share premium account £000	Shares to be issued £000	Profit and loss account £000
Company				
At 5 July 1999	-	45,759	982	9,127
Shares issued	-	55,037	(982)	-
Retained profit for period	-	-	-	904
At 2 July 2000	-	100,796	-	10,031

20 Directors' interests

The interests of the directors in the ordinary shares of the company, as shown in the register as at 2 July 2000, maintained under the provisions of Section 325 of the Companies Act 1985, are shown below. Unless otherwise stated the interests are beneficial.

	Ordinary shares	
	2 July 2000	4 July 1999
	Number	Number
Niven Ballantyne	41,559	32,596
Peter Marks	51,088	56,088
Andrew McIvor	102,713	135,933
Brendan McLoughlin	76,005	76,005
Clive Preston	782,858	782,858
Robert Wickham	20,000	20,000

The interests of the directors in the company's share option scheme and share warrants are set out in the table below.

i) The 1992 Share Option Scheme

	At start of period Number	Granted during period Number	Exercised during period Number	At end of period Number	Exercise price	Date from which exercisable	Expiry date
Niven Ballantyne	60,000	-	-	60,000	77p	11.10.98	10.10.00
	60,000	-	-	60,000	156.25p	20.10.99	19.10.01
Peter Marks	30,000	-	30,000	-	44.5p	1.11.97	31.10.99
	45,000	-	45,000	-	77p	11.10.98	10.10.00
	60,000	-	-	60,000	156.25p	20.10.99	19.10.01
Andrew McIvor	45,000	-	-	45,000	77p	11.10.98	10.10.00
	60,000	-	-	60,000	156.25p	20.10.99	19.10.01
Brendan McLoughlin	16,800	-	16,800	-	44.5p	1.11.97	31.10.99
	45,000	-	-	45,000	77p	11.10.98	10.10.00
	60,000	-	-	60,000	156.25p	20.10.99	19.10.01
Clive Preston	380,000	-	-	380,000	77p	11.10.98	10.10.00
	180,000	-	-	180,000	156.25p	20.10.99	19.10.01

20 Directors' interests continued

ii) The 1998 Executive Share Option Scheme

	At start of period Number	Granted during period Number	Exercised during period Number	At end of period Number	Exercise price	Date from which exercisable	Expiry date
Basic options							
Niven Ballantyne	84,337	-	-	84,337	83p	14.10.01	13.10.03
	-	120,000	-	120,000	181p	09.03.03	09.03.05
Peter Marks	120,482	-	-	120,482	83p	14.10.01	13.10.03
Andrew McIvor	120,482	-	-	120,482	83p	14.10.01	13.10.03
Brendan McLoughlin	120,482	-	-	120,482	83p	14.10.01	13.10.03
Clive Preston	301,205	-	-	301,205	83p	14.10.01	13.10.03
Super options							
Niven Ballantyne	230,000	-	-	230,000	218.25p	12.06.03	11.06.08
	-	250,000	-	250,000	170p	01.12.04	01.12.09
	-	160,000	-	160,000	181p	09.03.05	09.03.10
Peter Marks	230,000	-	-	230,000	218.25p	12.06.03	11.06.08
	602,410	-	-	602,410	83p	14.10.03	13.10.08
Andrew McIvor	230,000	-	-	230,000	218.25p	12.06.03	11.06.08
	602,410	-	-	602,410	83p	14.10.03	13.10.08
Brendan McLoughlin	230,000	-	-	230,000	218.25p	12.06.03	11.06.08
	602,410	-	-	602,410	83p	14.10.03	13.10.08
Clive Preston	640,000	-	-	640,000	218.25p	12.06.03	11.06.08

The market price of the shares at 2 July 2000 was 175.5p (1999: 171p). The shares traded within the range 133p to 193p.

iii) Share warrants

	Warrants Number	Conversion Price	Date from which convertible	Expiry date
Niven Ballantyne	3,259	180p	05.07.99	05.07.06
Peter Marks	5,608	180p	05.07.99	05.07.06
Andrew McIvor	11,951	180p	05.07.99	05.07.06
Brendan McLoughlin	7,600	180p	05.07.99	05.07.06
Clive Preston	140,507	180p	05.07.99	05.07.06
Robert Wickham	2,000	180p	05.07.99	05.07.06

The share warrants take the legal form of non-equity convertible shares (see note 18).

There have been no changes in the shareholdings, options and share warrants since 2 July 2000.

21 Pension scheme

In April 1993 the group introduced a total remuneration package 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.

In April 2000, the group introduced an occupational money purchase pension plan for all qualifying employees. Both the group and members make contributions to the pension plan. The pension plan is administered by Trustees completely separately from the affairs of the group.

22 Financial commitments

Commitments under operating leases to pay rentals during the year following the year of these accounts are given below :

	2000		1999	
	Land and buildings	Motor vehicles	Land and buildings	Motor vehicles
	£000	£000	£000	£000
Operating leases which expire :				
Within one year	-	-	75	5
In the second to fifth years inclusive	37	-	21	6
Over five years	8,486	-	2,017	-
	<u>8,523</u>	<u>-</u>	<u>2,113</u>	<u>11</u>

The group had £6,904,000 capital commitments (1999: £3,673,000).

23 Contingent liabilities

Guarantees for contractual payments have been provided to third parties on behalf of group companies. In the event of contractual default, counter indemnification of £210,000 (1999: £475,000) would be payable.

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

At the year end the group had contingent liabilities totalling £4.1million in respect of professional fees which became payable when then acquisition by Luminar plc became unconditional.

24 Cash flow statement

	2000 52 weeks £000	1999 44 weeks £000
Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	30,419	11,561
Depreciation on tangible fixed assets	13,583	3,922
Amortisation of intangible assets	3,672	-
Provision for impairment of tangible fixed assets	-	3,028
(Profit)/loss on disposal of tangible fixed assets	(629)	55
Provision against investments	20	39
(Decrease)/increase in stocks	223	(48)
(Decrease)/increase in debtors	207	(456)
Increase/(decrease) in trade creditors	5,266	(862)
(Decrease)/increase in other creditors	(9,421)	2,995
Net cash inflow from operations	43,340	20,234

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

	2000 52 weeks £000	1999 44 weeks £000
Reconciliation of net cash flow to movements in net debt		
Decrease/(increase) in cash in the period	16,292	(15,873)
Cash inflow from increase in debt	81,500	25,795
Movement in net debt in the period	97,792	9,922
Net debt at start of period	37,341	27,419
Net debt at end of period	135,133	37,341

	At 5 July 1999 £000	Cash flows £000	At 2 July 2000 £000
Analysis of net debt			
Cash at bank and in hand	16,159	(14,708)	1,451
Bank overdraft	-	(1,584)	(1,584)
Debt due after one year	(53,500)	(81,500)	(135,000)
	(37,341)	(97,792)	(135,133)

24 Cash flow statement continued

	Rank Entertainment			
	Limited	Other	Total	Total
	2000	2000	2000	1999
	£000	£000	£000	£000
Purchase of business				
Net assets acquired :				
Tangible fixed assets	134,239	24,671	158,910	24,928
Investments	-	-	-	700
Stocks	837	168	1,005	241
Debtors	1,215	592	1,807	940
Cash	3,087	448	3,535	9,691
Creditors	(9,007)	(1,748)	(10,755)	(3,090)
	130,371	24,131	154,502	33,410
Costs associated with acquisitions	(3,093)	(1,299)	(4,392)	(1,013)
Goodwill	22,672	88	22,760	7,317
	149,950	22,920	172,870	39,714
Satisfied by :				
Cash	149,950	22,920	172,870	22,921
Issue of shares	-	-	-	16,793
	149,950	22,920	172,870	39,714

On 22 November 1999, the group acquired the entire share capital of Rank Entertainment Limited satisfied by cash consideration of £149,950,000. There were no fair value adjustments required to the net assets of Rank Entertainment Limited. The reported loss after tax of Rank Entertainment Limited for the year ended 31 December 1998 was £26.0 million. For the period from 1 January 1999 to the date of acquisition, the unaudited profit after tax was £8.1 million.

The goodwill arising on acquisition of £22,672,000 was capitalised and will be written off over 20 years which is its estimated economic life.

	2000	1999
	£000	£000
Analysis of the net outflow of cash in respect of the purchase of businesses :		
Cash consideration	172,870	22,921
Cash acquired	(3,535)	(9,691)
Net outflow	169,335	13,230

25 Post balance sheet event

On 11 July 2000 the group was acquired by Luminar plc. As agreed within the acquisition agreement, the company paid a special dividend to its shareholders of 4.5p per share amounting to £8,192,000, on the same date.

26 Ultimate parent undertaking

On 11 July 2000 the ultimate parent undertaking became Luminar plc, a company incorporated and registered in England and Wales. Copies of the annual report of that company are available from its registered office, 41 King Street, Luton, Bedfordshire, LU1 2DW.