Report of the directors

Report of the Directors

The Directors have pleasure in presenting their annual report and audited financial statements for the period ended 2 March 2003.

Principal Activities

The principal activity of the Group is as owner, developer and operator of theme bars, restaurants and discotheques.

Business Review

A review of the business and future developments is included in the Chairman's Statement, the Chief Executive's Review and the Finance Director's Review on pages 3 to 9.

Profit and Dividends

The profit after taxation for the 52 weeks ended 2 March 2003 amounted to £31.0 million (2002: £32.8 million) and is reported in the Group Profit and Loss Account on page 32.

The Directors recommend the payment of a final dividend of 8.06p (2002: 7.00p) per Ordinary Share bringing the total dividend for the year to 11.40p (2002: 9.90p). The total dividend payment for the period ended 3 March 2002 is therefore £8.3 million (2002: £7.2 million).

Directors

The current Board of Directors is shown on pages 10 and 11 of this Report. There have been no changes in the composition of the Board during the year.

In accordance with the Articles of Association, one third of the Directors are required to retire by rotation at the Annual General Meeting. Accordingly, Mr K Hamill and Mr M Payne will retire and offer themselves for re-election. Mr A R Burns will also retire and offer himself for re-election in accordance with the Articles of Association as he was not appointed or re-appointed at either of the last two Annual General Meetings.

During the period, the Company maintained liability insurance for its Directors and officers.

No Director had a material interest in any contract or arrangement to which the Company or any subsidiary was a party.

During the period, Andrew Stride resigned as Company Secretary and Andrew Burns assumed that role for the remainder of the period.

For the reasons outlined in the Corporate Governance Report, the Company regard Linda Wilding as having been appointed on 3 November 1998.

The interests of the Directors in the Ordinary Shares of the Company at 2 March 2003 and 3 March 2002 were as follows:

	2 March 2003 Number	3 March 2002 Number
K Hamill	**30,113**	5,352
S C Thomas	**243,904**	237,348
A R Burns	**3,968**	–
J R Williams	**17,993**	13,993
L Wilding	**16,277**	10,660
A D M Goldman	**4,767**	1,000
R J J Wickham	**7,444**	6,274
M K Payne	**2,845**	670
B McLoughlin	**21,605**	15,049
A G Burford	**8,574**	5,296
J N Aust	**10,311**	8,672

Report of the directors continued

Directors (continued)

The interests of the Directors in the Warrants of the Company at 2 March 2003 and 3 March 2002 were as follows:

	2 March 2003 Number	3 March 2002 Number
S C Thomas	**43,410**	43,410
J R Williams	**–**	1,333
A G Burford	**1,178**	1,178
J N Aust	**1,727**	1,727

During the year, Mr John Williams exercised his rights to subscribe for 1,333 Ordinary Shares as represented by Warrants. The subscription price per share was £6.67½.

There has been no change in the interests of the Directors between 2 March 2003 and the date of signing of the accounts, 19 May 2003.

No Director had any interest in the shares of any of the Group's subsidiaries during the 52 week period ended 2 March 2003.

The interests of the Directors in share options are set out in the Report on Remuneration on page 21.

Share Capital

At the 2002 Annual General Meeting the shareholders gave the Company authority to purchase up to a maximum of 10% of its own shares. This authority expires at the conclusion of the forthcoming Annual General Meeting at which a special resolution will be proposed to renew the authority for a further year.

The Board has not exercised this power during the 52 weeks ended 2 March 2003, or in the period since then to the date of this Report (19th May, 2003).

The Board has no immediate intention of exercising this authority but will keep the matter under review. Moreover, purchases will only be made if they would result in increased earnings per share and will take into account other available investment opportunities and will be in the best interests of shareholders generally. Any shares purchased in accordance with this authority will subsequently be cancelled.

Employment Policies

The Group has adopted a policy of promotion from within and all staff are encouraged to make a real commitment to the growth of the Group. Great emphasis is placed on and significant resources are invested in training, to ensure the highest possible standards of service to our customers.

The Group's in-house magazine and other methods of communication are used to ensure that staff are well informed about new developments and any other issues (subject to practical and commercial considerations) that may affect their jobs or future prospects. Each year the Chief Executive briefs management on the Group's results and discusses progress and plans for the future. Feedback is actively encouraged. All employees are encouraged to share in the continuing prosperity of the Group through participation in the Employee Share Schemes.

It is the Group's policy, when considering applications for vacancies, to offer equal opportunity to disabled persons, subject to their abilities in relation to the job for which they apply. Wherever possible, employees becoming disabled will be maintained in employment and given such individual opportunities as the particular disability and the Group's needs permit.

Report of the directors continued

The key features of the Group's personnel support systems are:

- Board approval of a detailed Manpower and Development Recruitment Plan,
- Continual assessment under the Investors In People accreditation,
- Publication and constant review of employment procedures including:
  - Employment handbooks
  - Award of merit schemes (Bronze, Silver and Gold)
- Continuous health and safety risk assessment,
- Ongoing provision of job related and management training,
- Annual staff appraisals identifying individual staff and employment needs.

Supplier payment policy and practice

The Group's policy with regard to the payment of suppliers is to agree terms of payment at the start of business with each supplier or to ensure that the supplier is made aware of the standard payment terms. Such terms will include an undertaking to pay suppliers within an agreed period subject to terms and conditions being met by suppliers. Creditor days at the period end amounted to 31 days (2002: 35 days) of average supplies for the period.

Research and Development

All businesses within the Group continue to be active in developing new ways of working for the benefit of the business and it's customers. The Emerging Business Division works closely with suppliers in order to produce new and exciting products designed to meet the aspirations of our customers.

Charitable and Political Donations

The Company has established a charitable trust, the ECHO Trust, to channel the Company's charitable activities to those in need. During the year, a total of £322,642 was donated by our customers in charity collections by ECHO Trust. In addition, a further £91,151 was raised in our units directly for charities in their localities.

Direct contributions for charitable purposes were made during the period amounting to £848 (2002: £1,417). No political donations were made during the year (2002: nil).

Substantial shareholders

At 16 May 2003, the Company had been notified of the following interests in accordance with section 198-202 of the Companies Act 1985:

	Number of shares	%
Deutsche Asset Management	4,986,860	6.81
Investco Perpetual	4,366,661	5.97
Threadneedle Investments	3,728,763	5.10
Merrill Lynch Investment Managers	2,775,489	3.79
Gartmore Investment Management plc	2,666,585	3.64
Legal and General Investment Management Limited	2,643,708	3.61
Capital Research and Management Company	2,641,100	3.61
SG Asset Management	2,638,466	3.61
Fidelity International Limited / FMR Corporation	2,528,236	3.46
Lazard Freres & Co, LLC (T/A Lazard Asset Management)	2,269,506	3.10
	31,245,374	42.70

Report of the directors continued

Directors' Responsibilities for the financial statements

Company law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

I. select suitable accounting policies and then apply them consistently;

II. make judgements and estimates that are reasonable and prudent;

III. state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

IV. 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 maintaining proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the website. Legislation in the UK concerning the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Corporate Social Responsibility

The Company is committed to a socially responsible provision of its products to its customers, and to the protection of its staff. It believes that safety is a key priority and has put in place adequate procedures to manage and monitor this area, appropriate for the sector in which it operates. These include regular reports to the Board.

Specific policies have been developed in relation to drugs, door stewards and price discounting and these are set out below.

Drug policy

The Company disapproves of drug misuse and its associated culture and make no concessions to customers wanting to use our premises for such purposes. The Company does not tolerate drug use by its employees. The Company's policy in relation to drug use within our venues is clearly defined and set out in the Company's Employee Handbook. Consequently any person found in possession of drugs will be removed from our premises. In addition, any person who tries to sell drugs on our premises is reported to the police.

Door stewards

It is the Company's policy that all Door Stewards are employed by a security company on a standard contract. The terms and conditions of such contracts are stringent and require compliance with the BSI's British Standard 7960.

Discounting

The Company takes its responsibility for the safety of its customers seriously and this is a paramount consideration in the pricing of alcoholic beverages. Our staff are trained to made an evaluation of whether it is safe to serve our customers bearing in mind the condition of the customers prior to the service of alcoholic beverages. Price promotions are only used in limited circumstances and subject to strict controls. Such promotions are also generally only introduced after consultation with the local police. The Company is in favour of the introduction of local minimum tariffs.

Auditors

During the year, PricewaterhouseCoopers transferred their business to a Limited Liability Partnership, PricewaterhouseCoopers LLP. The unincorporated partnership accordingly resigned from office as Auditors, and the Board appointed the Limited Liability Partnership to fill the casual vacancy.

PricewaterhouseCoopers LLP have indicated their willingness to continue in office, and a resolution for their reappointment will be proposed at the Annual General Meeting.

By Order of the Board

Andrew Burns
Company Secretary

19 May 2003

Corporate governance

Application of principles

The Company regards compliance with the principles of good governance to be of the utmost importance. This statement describes how the Company applies the principles contained within the Combined Code appended to the Listing Rules of the Financial Services Authority.

Directors

The Board is responsible for setting the Group's strategic direction, the establishment of Group policies and internal controls, and the monitoring of operational performance. It meets regularly throughout the year and, in addition to the routine reporting of financial and operational issues, reviews each of its trading divisions and key functions in detail.

The Board has a schedule of matters specifically reserved to it for decision and delegates certain powers to the Board Committees and to the Executive Directors, collectively and individually. There is also a clear division of responsibilities between the Chairman and the Chief Executive. The schedule of reserved matters is periodically reviewed by the Board and includes annual budgets, strategic plans, approval of major capital expenditure and significant financing.

Information is provided to all Board members in the week prior to a Board meeting to enable them to consider the issues for discussion, and to request clarification or additional information. The Board regularly reviews the type and amount of information provided.

All Directors have access to the advice of the Company Secretary, who is responsible to the Board for ensuring that procedures are followed. In addition, there is an agreed procedure for seeking independent professional advice at the Company's expense. On appointment to the Board, every Director is provided with appropriate training to enable them to discharge their duties as a director.

The Board consists of five Executive Directors and six Non-Executive Directors. This provides a balance whereby no individual or small group can dominate *the Board's decision making. The Chairman of the Board is Mr K Hamill. Mr S C Thomas is Chief Executive and is responsible for the executive leadership* and coordination of the Company's business activities. Mr J R Williams was the Senior Independent Director during the year under review.

Linda Wilding was appointed to the Board of Luminar Leisure Limited as a non-executive Director in 1990. The appointment was made to reflect the investment in that Company by Mercury Private Equity, with whom she was a director at the time. She resigned in 1997 (following the withdrawal of Mercury Private Equity as a majority shareholder) and was subsequently appointed as a non-executive director of Luminar plc on 3 November 1998. In view of her knowledge of the Company's affairs and the strength of her contribution, the Board regard her present term as having commenced in 1998.

All of the Non-Executive Directors are considered independent of management and free from any business or other relationship, which could materially interfere with the exercise of their independent judgement.

Board members are appointed by the Board on the recommendation of the Nominations Committee, which is chaired by the Chairman, and consists of all the Non-Executive Directors. The Company's Articles of Association provide that one third (or the number nearest to but not exceeding one third) of the Directors shall stand for re-election at each Annual General Meeting. Furthermore, the Articles of Association require a Director to stand for re-election if they were not appointed or reappointed at either of the last two annual general meetings.

All Non-Executive Directors are appointed initially for a three-year term and the Company will take into account the balance of skills and experience on the Board, their contribution and level of independence when considering whether to extend their appointment beyond the initial three year term.

Corporate governance continued

Board Committees

In accordance with the Combined Code and corporate governance best practice, the Board has established a number of committees. All of the Committees have written terms of reference, which are described below.

Audit Committee

This Committee is chaired by Mr K Hamill and also comprises Mr M K Payne, Mr J R Williams and Mr R J J Wickham. The Committee meets at least three times a year and reports to the Board on all matters relating to the regulatory and accounting requirements that may affect the Group together with the financial reporting and internal control procedures including the annual and interim financial statements. In addition, the Committee ensures that an objective and professional relationship is maintained with the external auditors, with particular regard to the nature and extent of any non-audit functions they provide.

The external auditors may attend all meetings and have direct access to the Committee and its Chairman at all times. The Executive Directors are not members of the Committee, but may attend meetings of the Committee as necessary to facilitate its business.

The Company has an internal audit function, which is charged with ensuring adequate controls exist and are complied with at a unit level over cash and stock. They also ensure that the standard of operation at unit level is compliant with the requirements of the local authorities for that area.

Remuneration Committee

The Remuneration Committee is chaired by Linda Wilding, and consists of all the Non Executive Directors. It operates within its agreed terms of reference in advising the Board on the remuneration policy for Executive Directors and senior executives. When making its decisions, the views of the Chief Executive are considered and appropriate professional advice is sought where needed. The Board, excluding the Non Executive Directors, reviews Non Executive Directors' fees annually.

The Director's Report on Remuneration, which has been prepared in accordance with the requirements of the Director's Remuneration Report Regulations 2002 and approved by the Board, is set out on pages 21 to 28.

Nominations Committee

This Committee is chaired by Mr J Williams and also consists of all the Non Executive Directors. It monitors and reviews the membership of and succession to the Board of Directors and makes recommendations to the Board, inter alia, on the identification and recruitment of potential Executive and Non Executive Directors.

Risk Management Committee

The Board is responsible for the Company's risk management process. It has delegated responsibility for implementing an appropriate risk management programme to a committee comprising Mr A R Burns, Mr J R Williams, Mr A Goldman, Mr Harry Willits (Company Secretary) and Mr T Steed, who has responsibility for health and safety issues. The Board sets guidelines on the general level of risk that is acceptable and has a considered approach to evaluating risks and controls. More details of the operation of this process is given in the Internal Controls section directly below.

Internal Control

The Board is responsible for maintaining a sound system of internal control and for reviewing its effectiveness. The system can only manage rather than eliminate risk and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company. This was introduced during the year to 25 February 2001 and has remained in place up to the date of approval of the Annual Report and Accounts. The process is regularly reviewed by the Board.

The Combined Code requires that the Directors review the effectiveness of the Company's system of internal control, which includes financial, operational, compliance and risk management controls.

Corporate governance continued

The Board has reviewed the effectiveness of the system of internal control. As part of the review process, the Risk Management Committee carried out a detailed review of the current system of internal control and, in particular, the process for identifying and evaluating the significant risks affecting the business and the policies and procedures by which these risks are managed. During the review process, members of the Risk Management Committee had the opportunity to discuss any areas of concern with management.

In order to ensure that the system of internal control becomes embedded in the operations and culture of the Company, management are required to identify and evaluate the significant risks applicable to their areas of business and design and operate suitable controls. These risks are assessed on a continual basis and may relate to internal and external sources including disruption in information systems, competition and changes in the regulatory environment. To further improve the monitoring of risks, the Company has recently installed a computerised risk management system. The system is in the first stage of roll-out and will further ensure that the Company's internal control procedures become embedded in the culture of the Company.

In addition, the Board has established a Risk Management Committee that meets at least three times a year and whose main purposes are as follows:

- to review, on behalf of the Board, the key risks inherent in the business and the system of control necessary to manage such risks and present their findings to the Board.
- to reinforce management's control consciousness and foster a culture within the Group that emphasises risk management.
- to keep under review the effectiveness of the Company's risk management infrastructure.
- to consider the risks of new ventures and other strategic initiatives.

In addition to the major risk review process, the Company operates under an established internal control framework, the key features of which are as follows:

Decision Making

The full Board meets regularly and has adopted a schedule of matters which are required to be brought to it for decision, thus ensuring it maintains control over appropriate strategic, financial, organisational, compliance and risk issues. A meeting of the Executive Directors takes place each week to make decisions relating to investment issues such as property acquisitions, capital expenditure and important operational issues. The Company Secretary attends these meetings to ensure that procedures are followed and decisions minuted. The Operations Committee also meets on a weekly basis to review financial and operating performance. These meetings are attended by each of the Managing Directors and any issues are reported through to the meeting of the Executive Directors. The Board has put in place an organisational structure with clearly defined lines of responsibility and delegation of authority. The structure is reviewed from time to time to ensure that appropriate controls exist and that financial and operational issues are dealt with in an effective manner.

Financial and Operational Controls

There are established procedures for budgeting and planning capital expenditure, together with reporting systems for monitoring the Group's business and performance.

- There is a rolling three-year forecast in place, which is used to assess the financial impact of the Company's strategy and there is a comprehensive budgeting system with an annual budget (approved by the Board), half-yearly budget and monthly forecasts for the remainder of the financial period. A monthly report to the Board details the financial performance of the Group for the preceding period versus budget and includes a forecast of future profitability.
- Management is accountable to the Directors for the implementation of the system of internal financial control throughout the Group. This enables the Board to meet its ongoing responsibilities for the integrity and accuracy of the Company's accounting records and ensure that ongoing financial performance is monitored in a timely and corrective manner and that risk is identified as early as practicably possible. These controls include:
    - Comprehensive budgeting systems with annual budgets for sales, profits, cash and capital expenditure approved by the Board.
    - Detailed variance analysis of actual results compared to budget on a period and year to date basis.
    - Constant monitoring and regular review of sales, cash, assets and operational compliance at unit level by the internal audit function.

Corporate governance continued

Property Acquisitions and Investment Appraisal

The Company has clearly defined guidelines for the acquisition of properties and for capital expenditure. These include annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements.

Business Unit Controls

Controls and procedures, including information systems controls, are detailed in procedure manuals and other written instructions. Compliance with these procedures is reviewed by the Company's internal audit function and management at divisional level.

Computer Systems

The Company has established controls and procedures over the security of computer equipment and the data held on the systems. These arrangements are tested regularly and critical procedures and equipment are supported by quick response service contracts. Key procedures include:

- Daily tape back up of programmes and data contained on the central computer system.
- Weekly offsite storage of tapes by a third party specialist data storage company.
- Duplication of essential equipment and services in case of failure.
- Environmentally controlled and secure computer room.

The ongoing development of the Lotus Notes database and communication network will further enhance the control of information and procedures. Examples of the current communications system include:

- Customer Relations Management systems.
- Fully automated purchase order processing and accrual accounting systems.
- Comprehensive database containing all property and licensing details.
- Revised stock control procedures.

The Company will continue to pursue the use of information and internet technology to improve control procedures and the efficient flow of data and communications. Examples of these are:

- Advanced use of the World Wide Web for marketing and advertising.
- Document imaging and storage systems.
- Upgraded budget and information reporting packages.
- Advanced entertainment systems.

These mechanisms are intended to ensure that Company performance is continually monitored, risks identified in a timely manner, their financial implications assessed, control procedures re-evaluated and corrective actions agreed and implemented.

Corporate governance continued

Relations with shareholders

The Company values the views of its shareholders and recognises their interest in the Company's strategy and performance, Board membership and quality of management. The Chairman, Chief Executive and Finance Director maintain frequent contact with institutional shareholders through regular meetings and presentations. Institutional shareholders and analysts are invited to presentations by the Executive Directors immediately after the announcement of the Company's half-year and full-year results. The Company also issues trading statements at important points of the financial year, and provides an indication of trading at the time of the Annual General Meeting.

The Company also encourages communication with private shareholders, and welcomes their participation at the Annual General Meeting. It is the policy of the Company that all Directors should attend the AGM, and in particular the Chairmen of the Audit, Remuneration and Nominations Committees are available to answer questions from shareholders. A separate Resolution is proposed for each substantially separate issue, and the agenda for the AGM includes a resolution adopting the Annual Report and Accounts of the Company. All shareholders are sent details of the AGM at least 20 working days before the meeting. Unless a poll is requested, details of the proxy votes recorded by our Registrars for and against each Resolution are announced after the result of the vote by show of hands is known.

The Company's principal web site, which can be found at www.luminar.co.uk, contains a large amount of useful information for shareholders.

Compliance with the Combined Code

The Company considers that it has complied throughout the year with the provisions of the Combined Code. It should be noted that Code Provision B1.7 recommends that notice periods for executive directors should be one year or less. Mr S C Thomas has a service contract that is terminable on not more than two years' notice. For reasons outlined in the Chairman's Statement and the Remuneration Report, the Board believes this to be in the best interests of the Company.

Going concern

The Directors have made enquiries into the adequacy of the Company's financial resources and, having conducted a review of the Company's budget and medium term plans which include capital expenditure projections and cash flow forecasts, have satisfied themselves that adequate resources exist to ensure that the Company will continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the Company's financial statements.

Remuneration report

The Remuneration Committee

The Remuneration Committee consists of the following Directors:

Keith Hamill	Linda Wilding *(Chair)*
Alan Goldman	John Williams
Robert Wickman	Michael Payne

The members of the Committee are independent Directors who have no personal financial interest (other than as shareholders) in the matters addressed by the Committee, and have no conflicts of interest arising from cross-directorships. The Committee meets as required but at least twice each year, and operates within agreed terms of reference. The Committee has responsibility for making recommendations to the Board on the Company's general policy relating to executive remuneration, and to determine, on behalf of the Board, specific remuneration packages for the Executive Directors.

During the year, the Committee appointed Keplar Associates, remuneration consultants, to advise on directors' remuneration.

The remuneration of the Chairman is determined by the Remuneration Committee (in the absence of the Chairman and led by Mr John Williams, the Senior Independent Director) and the Board. The remuneration of the Non-Executive Directors is determined by the Board, excluding the Non-Executive Directors.

Remuneration Policy

General

The Remuneration Committee determines the Company's policy on Executive Directors' remuneration. The objectives of the policy are:

- To ensure that senior executive rewards and incentives are directly aligned with the interests of the shareholders, in order to optimise the performance of the Company.
- To provide the level of remuneration required to attract, retain and motivate executive Directors of an appropriate calibre.

Salaries and other benefits are reviewed annually and the Remuneration Committee takes into account the performance of the individual, comparisons with peer group companies within the industry, institutional guidelines and reports from specialist consultants. The experience of the individual and level of responsibility are also taken into account.

Consistent with this policy, the benefit packages awarded to executive Directors of Luminar are intended to be competitive and comprise a mix of performance-related and non-performance-related remuneration, designed to incentivise Directors, consistent with the principles of corporate governance.

Basic salaries

Salaries of Directors are set by reference to those prevailing in the market, particularly within peer group companies in the same sector.

Bonus

Under current arrangements, which are reviewed annually by the Remuneration Committee, Executive Directors may earn up to 75% - 100% of salary subject to the attainment of specific and stretching objectives which are set for each individual. The objectives principally relate to the financial performance of the Company, but can also include operational and functional performance; a quantifiable and measurable target is set for each objective. On obtaining the target performance, 50% of the maximum available bonus will be paid.

Share Options

It is the intention of the Remuneration Committee to grant share options to all Executive Directors to incentivise future performance.
Share options can be granted under the terms of two schemes, both of which have been approved by shareholders. The 1999 Scheme, which has been approved by the Inland Revenue, and the unapproved 1996 Scheme.

It is the policy of the Remuneration Committee to set performance criteria, as provided for in the scheme rules, for the exercise of any option granted. The criteria currently operated by the Committee is that growth in pre-tax Earnings Per Share (EPS) must exceed RPI +3% compounded, over the relevant three-year period.

Remuneration report continued

The achievement of the condition is measured by reference to the annual accounts of the Company for the relevant year, and Government statistics for inflation. The Remuneration Committee consults with the Auditors to confirm the calculation of pre-tax EPS growth. These methods were chosen as commonly available and easily understood by the participants in the scheme.

The Remuneration Committee has not amended the performance condition for any Director's share options during the year under review.

Save-As-You-Earn Share Option scheme

Since 1996 the Company has operated an all-employee Save-As-You-Earn share option scheme. Executive Directors, and employees of the Company with more than one year's service, may participate in the scheme. Options have been granted at the prevailing market rate, less a discount of up to 20%, as permitted by Inland Revenue regulations. Options are normally exercisable three years after the date of grant.

Warrant scheme

In February 1999 the Luminar plc Employee Trust was established, holding approximately 3.2 million Warrants. Each Warrant carries the right to subscribe for one Ordinary Share at a subscription price of 667½ pence per share. The Trust at 2 March 2003 held 1,620,129 Warrants, which are to be allocated to employees at the absolute discretion of the Trustees who may call for guidance from the Remuneration Committee.

The Trust was established with the approval of shareholders, to ensure that the Company had an appropriate scheme to incentivise and reward senior employees in the group during a period of exceptional earnings growth. Warrants over approximately 1,600,000 shares were issued in June 2002. The Warrants were issued subject to a performance condition, that average growth in pre-tax EPS exceeded 20% per annum compounded over the three financial years ended February 2002. As reported in last year's Remuneration Report, the performance condition has been achieved and the Warrants can therefore be allocated to participants. It is the intention of the Trustee to allocate 50% of the Warrants remaining in the Trust within the 28-day period following publication of this report, and the remaining 50% during the following year.

Share Options- Interests of Directors

Details of each Director's interests in the share options and warrants of the Company are set out on pages 26 to 28 of the Report.

No other Directors have been granted options over the shares of the Company, or other Group entities. The attention of shareholders is drawn to the table in the Directors' Report, indicating the number of warrants held by Directors other than in relation to service with the Group.

Owing to a change in legislation, for all awards of share options after 2000 the participant and the Company are required to pay National Insurance contributions relating to the options. The Committee has recognised this in its awards since that date. Participants are required to pay employee's N.I. contributions.

None of the terms and conditions of an option grant were varied during the year. All grants were undertaken on a basis consistent with that described earlier in this report. All options were granted at nil cost to the Directors; the right to exercise the option is conditional on the relevant performance condition being achieved.

The mid-market price of the Company's shares at 2 March 2003 was £3.07½, and for the year then ended the range was between £9.35 and £2.55.

Warrants to subscribe for shares are listed for trading on the London Stock Exchange, and various Directors realised their award of warrants from the Employee Benefit Trust by the sale of the warrants. The market price of the warrants on the day the were sold (30 May 2002) was £2.37.

The gain for each Director on options and warrants for the year is as follows-

	Options £000	Warrants £000	**2003 Total £000**	2002 Total £000
S C Thomas	–	2,472	**2,472**	135
A R Burns	–	577	**577**	285
A G Burford	–	178	**178**	–
J N Aust	–	178	**178**	–
B McLoughlin	–	–	**–**	–

Targeted remuneration

The targeted composition of each Director's remuneration is as follows;

	Performance-related	Non-performance-related
Executive		
Stephen C Thomas	32%	68%
Andrew R Burns	32%	68%
Alistair G Burford	30%	70%
John Aust	31%	69%
Brendan McLoughlin	30%	70%
Non-Executive		
Keith Hamill	0%	100%
Alan Goldman	0%	100%
Robert Wickman	0%	100%
Linda Wilding	0%	100%
John Williams	0%	100%
Michael Payne	0%	100%

Directors' Service Contracts

It is the policy of the Company that contracts for new Executive Directors should have a notice period on each side not exceeding one year, and that the contractual termination payment should not exceed the salary of the Director during the previous calendar year.

Non-Executive Directors, in accordance with best practice, are not appointed on service contracts. They are appointed for a fixed initial period of three years, and may be re-appointed for further fixed periods, up to a total of nine years. Non-Executive Directors are issued on appointment or re-appointment with a letter confirming the terms of their appointment. Non-Executive Directors are required to give three months' notice of resignation.

In addition, Stephen Thomas has a contract with the Company containing a requirement for either party to give two years notice of termination. Under the contract, he also has a two-year restrictive covenant relating to competitive activity. Any compensation under the contract is subject to mitigation. These arrangements were agreed at the time of the flotation of the Company – when the Company was advised that investors would require arrangements of this type. Subsequent corporate governance practice requires that termination periods of this length be disclosed and explained. The Board reported last year that it regarded these arrangements as in the best interests of the Company. During the year to 28 February 2003, one major shareholder requested *to renegotiate this contract – although it subsequently sold its shares. The Board intends to await the findings of the CBI's review of practices in this area* Chaired by Sir Nigel Rudd before reconsidering this issue.

The details of the service contracts of those who served as Executive Directors during the year are as follows;

	Contract date	Unexpired term	Notice period	Contractual termination payment (£)
Stephen C Thomas	12.4.96	N/A	2 years	2 year's salary plus pension, bonus, PHI and car payments
Andrew R Burns	2.9.97	N/A	1 year	1 year's salary plus pension, PHI and car payments
Alistair G Burford	1.1.02	N/A	1 year	1 year's salary plus pension, PHI and car payments
John Aust	1.1.02	N/A	1 year	1 year's salary plus pension, PHI and car payments
Brendan McLoughlin	1.1.02	N/A	364 days	Payment equivalent to 364 days of final salary plus bonus, pension, PHI and car payments

All of the Executive Directors are employed on rolling contracts with a retirement age of 60.

The contracts of Mr Burns, Mr Burford and Mr Aust contain a provision entitling the Company to make a payment in lieu of notice. No such provision is made in the contracts of Mr Thomas and Mr McLoughlin.

It is the policy of the Remuneration Committee to seek to mitigate termination payments in appropriate circumstances.

Remuneration report continued

Mr SC Thomas is entitled, in the event of his contract being terminated on grounds of redundancy or in the event of wrongful dismissal, to a payment representing the difference between the option price and the fair value of any share options he holds at that date. No valuation for such a right is included in the above figures, as the exercise price for all options currently exceed the market value of ordinary shares.

The details of the service arrangements for the Non-Executive Directors through the year were as follows;

	Appointment date	Term expires	Contractual termination payment
Keith Hamill	16.1.2001	15.1.2004	Nil
Alan Goldman	3.3.1998	2.3.2004	Nil
Robert Wickman	5.9.2000	4.9.2003	Nil
Linda Wilding	3.11.1998	2.11.2004	Nil
John Williams	23.4.1996	22.4.2005	Nil
Michael Payne	5.9.2000	4.9.2003	Nil

Directors' Detailed Emoluments

Full details of the emoluments of the Directors are as follows;

	Salary & Fees £000	Benefits in kind £000	Expense Allowance £000	Bonus £000	**Total 2003 £000**	Total 2002 £000
Executive						
Stephen C Thomas	400	24	0	0	**424**	425
Andrew R Burns	185	14	0	0	**199**	233
Alistair G Burford*	150	14	0	0	**164**	27
John Aust*	125	23	0	0	**148**	22
Brendan McLoughlin*	140	22	0	0	**162**	23
Non-Executive						
Keith Hamill	75	0	0	0	**75**	63
Alan Goldman	30	0	0	0	**30**	30
Robert Wickman	30	0	0	0	**30**	30
Linda Wilding	30	0	0	0	**30**	30
John Williams	45	0	0	0	**45**	82
Michael Payne	30	0	0	0	**30**	30

*- The comparative for these Directors is from the date of appointment, 1 January 2002.

Benefits in kind include the provision to every Executive Director of a company car and private medical insurance. Other employees are also eligible for these benefits.

Details of contributions made by the Company to the Luminar Leisure Limited 1998 Retirement and Death Benefit Scheme, on behalf of the Executive Directors, are set out below.

As disclosed in last year's report, between March 2002 and May 2002 John Williams was asked to undertake additional work for the Company, pending the appointment of a new Property Director. The additional fees for this work, amounting to £15,000, and indicated in the figures above were approved by the Board, who considered that the benefits to the Company would be significant and that no significant damage would be done to independence.

Remuneration report continued

Directors' Pension Entitlements

Pension Policy

It is the policy of the Committee that all Executive Directors will be invited to join the Luminar Group pension plan, which has been approved by the Inland Revenue. The scheme is a contributory, defined contribution scheme and also provides for dependent's pensions and lump sums on death in service of four times basic salary. The Trustees of the Scheme are appointed in accordance with the Member-Nominated Trustee Regulations.

The Company makes no pension provision in respect of the Non-Executive Directors.

For each Executive Director, the payments made by the Company in the year in respect of their pension provisions are as follows;

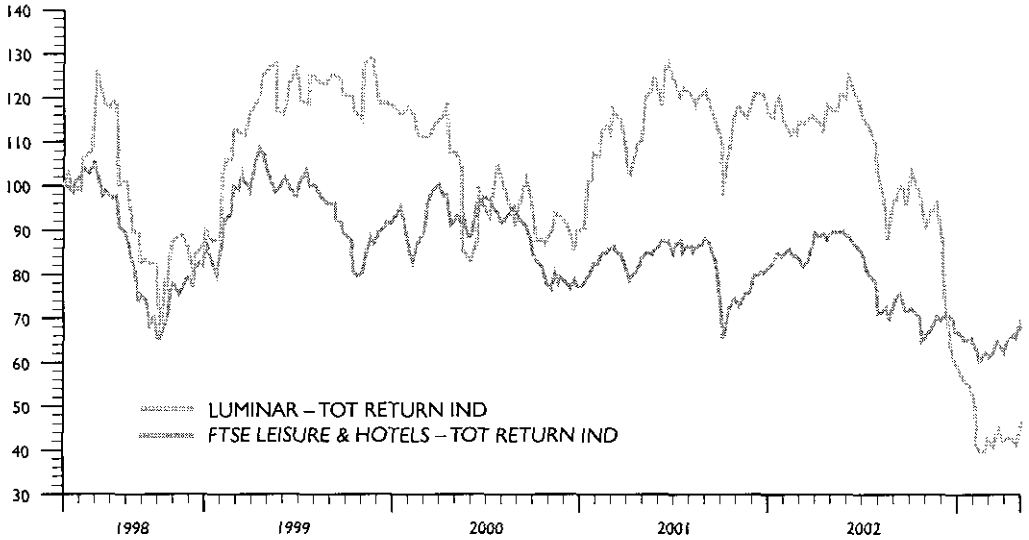
	2003	2002
	£000	£000
Stephen C Thomas	**370**	85
Andrew R Burns	**28**	44
Alistair G Burford *	**22**	3
John N Aust *	**19**	3
Brendan McLoughlin *	**21**	3

*- The comparative for these Directors is from the date of appointment, 1 January 2002.

At the start of the year the Remuneration Committee conducted a periodic review of the remuneration of the executive team – with the advice of remuneration consultants. This resulted in some changes to basic salaries, bonuses and benefits. The review also identified that the pension arrangements for Stephen Thomas were very materially below those for equivalent executives and pension contributions to his defined contribution pension fund were increased from 15% of salary to 45% of his average salary for the three years to 28 February 2004, when they will revert to 25% of salary. This resulted in payments to his scheme of £370,000 covering the two years to 28 February 2003. The results of the remuneration review were implemented after consultation within the Company's larger shareholders.

Total Shareholder Return graph

Reproduced below is a line graph indicating the Total Shareholder Return (calculated in accordance with the Directors' Remuneration Report Regulations 2002) for a shareholding in Luminar plc, and a notional shareholding in the FTSE Hotels and Leisure Index.



The Directors have selected the FTSE Leisure and Hotels Index as they believe that, as it includes our major competitors, it is the most appropriate comparator for the period.

Remuneration report continued

Interests of the Directors in share options of the Company

Name	Date of grant	Earliest exercise date	Expiry date	Exercise price (£)	Number at 3 March 2002 (25p shares)	Granted in year	Exercised in year	Lapsed in year	**Number at 2 March 2003 (25p shares)**
SC Thomas	1996 Executive Share Option Scheme (Unapproved)								
	18.11.98	18.11.01	17.11.08	6.640	121,500	0	0	0	**121,500**
	22.2.99	22.2.02	21.2.09	8.050	50,000	0	0	0	**50,000**
	11.7.00	11.7.03	10.7.10	7.140	500,000	0	0	0	**500,000**
	4.7.01	4.7.04	3.7.11	8.800	26,136	0	0	0	**26,136**
					697,636	0	0	0	**697,636**
	1999 Executive Share Option Scheme (Approved)								
	4.7.01	4.7.04	3.7.11	8.800	3,409	0	0	0	**3,409**
	SAYE Share Option Scheme								
	13.7.01	1.9.04	28.2.05	7.280	1,330	0	0	0	**1,330**
	Warrants to subscribe (Employee Benefit Trust)								
	30.5.02	15.5.02	2009	6.675	0	1,043,009	1,043,009	0	**0**
					702,375	1,043,009	1,043,009	0	**702,375**
AR Burns	1996 Executive Share Option Scheme (Unapproved)								
	22.2.99	22.2.02	21.2.09	8.050	50,000	0	0	0	**50,000**
	11.7.00	11.7.03	10.7.10	7.140	100,000	0	0	0	**100,000**
	4.7.01	4.7.04	3.7.11	8.800	12,500	0	0	0	**12,500**
	10.7.02	10.7.05	9.7.12	7.850	0	41,242	0	0	**41,242**
					162,500	41,242	0	0	**203,742**
	1999 Executive Share Option Scheme (Approved)								
	4.7.01	4.7.04	3.7.11	8.800	3,409	0	0	0	**3,409**
	Warrants to subscribe (Employee Benefit Trust)								
	30.5.02	15.5.02	2009	6.675	0	243,369	243,369	0	**0**
					165,909	284,611	243,369	0	**207,151**

Remuneration report continued

Interests of the Directors in share options of the Company continued

Name	Date of grant	Earliest exercise date	Expiry date	Exercise price (£)	Number at 3 March 2002 (25p shares)	Granted in year	Exercised in year	Lapsed in year	**Number at 2 March 2003 (25p shares)**
AG Burford	1996 Executive Share Option Scheme (Unapproved)								
	9.1.98	9.1.01	8.1.08	5.035	12,500	0	0	0	**12,500**
	22.2.99	22.2.02	21.2.09	8.050	40,000	0	0	0	**40,000**
	11.7.00	11.7.03	10.7.10	7.140	200,000	0	0	0	**200,000**
	4.7.01	4.7.04	3.7.11	8.300	10,636	0	0	0	**10,636**
	10.7.02	10.7.05	9.7.12	7.850	0	33,439	0	0	**33,439**
					263,136	33,439	0	0	**296,575**
	1999 Executive Share Option Scheme (Approved)								
	4.7.01	4.7.04	3.7.11	8.800	3,409	0	0	0	**3,409**
	SAYE Share Option Scheme								
	13.7.01	1.9.04	28.2.05	7.280	1,330	0	0	0	**1,330**
	Warrants to subscribe (Employee Benefit Trust)								
	30.5.02	15.5.02	2009	6.675	0	75,000	75,000	0	**0**
					267,875	108,439	75,000	0	**301,314**
JN Aust	1996 Executive Share Option Scheme (Unapproved)								
	11.7.00	11.7.03	10.7.10	7.140	75,000	0	0	0	**75,000**
	4.7.01	4.7.04	3.7.11	8.800	6,250	0	0	0	**6,250**
	10.7.02	10.7.05	9.7.12	7.850	0	27,866	0	0	**27,866**
					81,250	27,866	0	0	**109,116**
	1999 Executive Share Option Scheme (Approved)								
	4.7.01	4.7.04	3.7.11	8.800	3,409	0	0	0	**3,409**
	SAYE Share Option Scheme								
	4.7.00	1.9.03	28.2.04	5.580	694	0	0	0	**694**
	Warrants to subscribe (Employee Benefit Trust)								
	30.5.02	15.5.02	2009	6.675	0	75,000	75,000	0	**0**
					85,353	102,866	75,000	0	**113,219**

Remuneration report continued

Interests of the Directors in share options of the Company continued

Name	Date of grant	Earliest exercise date	Expiry date	Exercise price (£)	Number at 3 March 2002 (25p shares)	Granted in year	Exercised in year	Lapsed in year	**Number at 2 March 2003 (25p shares)**
B McLoughlin	Northern Leisure 1998 Executive Share Option Scheme ('Rolled over' options)								
	16.6.98	16.6.03	15.6.08	8.740	57,500	0	0	0	**57,500**
	1996 Executive Share Option Scheme (Unapproved)								
	16.1.01	16.1.04	15.1.11	7.520	63,830	0	0	0	**63,830**
	4.7.01	4.7.04	3.7.11	8.800	10,636	0	0	0	**10,636**
	10.7.02	10.7.05	9.7.12	7.850	0	31,210	0	0	**31,210**
					74,466	31,210	0	0	**105,676**
	1999 Executive Share Option Scheme (Approved)								
	4.7.01	4.7.04	3.7.11	8.800	3,409	0	0	0	**3,409**
	SAYE Share Option Scheme								
	13.7.01	1.9.04	28.2.05	7.280	1,330	0	0	0	**1,330**
					136,705	31,210	0	0	**167,915**

Report of the Independent Auditors

to the Members of Luminar plc

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement and the related. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the directors' remuneration report ("the auditable part").

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities. The directors are also responsible for preparing the directors' remuneration report.

Our responsibility is to audit the financial statements and the auditable part of the directors' remuneration report in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the auditable part of the directors' remuneration report have been properly prepared in accordance with the Companies Act 1985. 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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the chairman's statement, the chief executive's review, the finance director"s review, the corporate governance statement and the audited part of the Directors' remuneration report.

We review whether the corporate governance statement reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

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 and the auditable part of the directors' remuneration report. 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 Company'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 and the auditable part of the directors' remuneration report 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 at 2 March 2003 and of the profit and cash flows of the Group for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the Directors' remuneration report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
1 Embankment Place
London
EC2V 7QP

19 May 2003

Principal accounting policies

In accordance with FRS18, the Directors have reviewed the accounting policies of the Group set out below and consider them to be appropriate.

Basis of preparation

The financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies are set out below that have remained unchanged from the previous year.

Basis of consolidation

The principles of merger accounting have been applied on the original formation of Luminar plc. All subsequent acquisitions have been accounted for using the principles of acquisition accounting.

The group financial statements consolidate those of the Company and of its subsidiary undertakings (see note 10) drawn up to 2 March 2003. The results of subsidiary undertakings acquired during the year have been included from the date of acquisition. Profits or losses on intra-group transactions are eliminated in full.

On acquisition of a subsidiary, all of the subsidiary's assets and liabilities, which exist at the date of acquisition, are recorded at their fair values reflecting their condition at that date. Goodwill arising on consolidation, representing the excess of the fair value of the consideration given over the fair values of the identifiable net assets acquired, is capitalised and is amortised on a straight line basis over its useful economic life.

The Company was entitled to merger relief offered by section 131 of the Companies Act 1985 in respect of the consideration received in excess of the nominal value of the equity shares issued in connection with the acquisition of Northern Leisure PLC.

Financial instruments

The group uses derivative financial instruments, primarily to manage exposures to fluctuations in interest rates.

Discounts and premiums are charged or credited to the profit and loss account over the life of the asset or liability to which they relate.

Discounts or premiums on financial instruments designated as interest rate hedges are reflected as adjustments to interest payable.

Income and expenditure arising on financial instruments is recognised on the accruals basis, and credited or charged to the profit and loss account in the financial period to which it relates.

Interest differentials, under which the amounts and periods for which interest rates on borrowing are varied, are reflected as adjustments to interest payable.

Intangible fixed assets and goodwill

Trademarks purchased separately from a business are included at cost and amortised over their useful economic lives.

Purchased goodwill is capitalised and is amortised on a straight line basis over its estimated useful economic life.

Turnover

Turnover is the total amount receivable by the Group for goods supplied and services provided, excluding VAT.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Finance costs on fixed asset additions are capitalised during the period of construction and written off as part of the total cost. No depreciation is charged during the period of construction.

Depreciation is calculated to write down the cost or valuation less estimated residual value of all tangible fixed assets by equal annual instalments over their estimated useful economic lives.

Principal accounting policies continued

The periods generally applicable are:
Freehold and long leasehold land and buildings and related structural fixtures and fittings – fifty years
Short leasehold land and buildings and related structural fixtures and fittings – over the period of the lease
Other fixtures and fittings, furniture and equipment – between two years and ten years.
Motor vehicles – three years.

Investments

Investments are stated at cost less amounts written off.

Stocks

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

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance date.

Leased assets

All leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

Contributions to pension funds

Defined contribution schemes
The pension costs charged against profits represent the amount of the contributions payable to the schemes in respect of the accounting period.

Consolidated Profit and Loss Account

for the year ended 2 March 2003

	Note	52 weeks ended 2 March 2003 £m	52 weeks ended 2 March 2003 £m	53 weeks ended 3 March 2002 £m	53 weeks ended 3 March 2002 £m
Turnover	1		**392.4**		360.4
Cost of sales			**(74.6)**		(68.0)
Gross profit			**317.8**		292.4
Administrative expenses					
– before goodwill amortisation		**(236.5)**		(208.1)	
– goodwill amortisation		**(12.9)**		(12.9)	
– total			**(249.4)**		(221.0)
Operating profit					
– before goodwill amortisation		**81.3**		84.3	
– goodwill amortisation		**(12.9)**		(12.9)	
– total			**68.4**		71.4
Net interest	2		**(14.7)**		(14.7)
Profit on ordinary activities before taxation					
– before goodwill amortisation		**66.6**		69.6	
– goodwill amortisation		**(12.9)**		(12.9)	
– total	1		**53.7**		56.7
Tax on profit on ordinary activities	4		**(22.7)**		(23.9)
Profit for the financial period	5		**31.0**		32.8
Dividends	6		**(8.3)**		(7.2)
Profit transferred to reserves	18		**22.7**		25.6
Earnings per share					
Basic	7		**42.4p**		44.9p
Diluted	7		**42.4p**		44.2p
Earnings per share before goodwill amortisation					
Basic	7		**60.0p**		62.6p
Diluted	7		**60.0p**		61.5p
Dividend per share			**11.4p**		9.9p

There were no recognised gains or losses other than the profit for the financial period.
All profits relate to continuing operations.

The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated Balance Sheet

at 2 March 2003

	Note	**2 March 2003 £m**	**2 March 2003 £m**	*3 March 2002 £m*	*3 March 2002 £m*
Fixed assets					
Intangible assets	8		**225.7**		238.4
Tangible assets	9		**567.9**		525.8
Investments	10		**–**		1.2
			793.6		765.4
Current assets					
Stocks	11	**4.6**		3.0	
Debtors	12	**10.3**		11.4	
Cash at bank and in hand		**22.6**		13.8	
		37.5		28.2	
Creditors: amounts falling due within one year	13	**(81.7)**		(71.2)	
Net current liabilities			**(44.2)**		(43.0)
Total assets less current liabilities			**749.4**		722.4
Creditors: amounts falling due after more than one year	14		**(229.0)**		(228.7)
Provisions for liabilities and charges	16		**(19.4)**		(16.0)
Net assets			**501.0**		477.7
Capital and reserves					
Called up share capital	17		**18.3**		18.3
Share premium account	18		**60.9**		60.3
Capital reserve	18		**2.3**		2.3
Merger reserve	18		**342.4**		342.4
Profit and loss account	18		**77.1**		54.4
Shareholders' funds	19		**501.0**		477.7

The financial statements were approved by the Board of Directors on 19 May 2003.

Andrew Burns, Finance Director

The accompanying accounting policies and notes form an integral part of these financial statements.

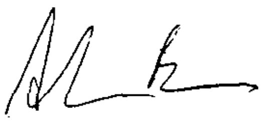
Company Balance Sheet

at 2 March 2003

	Note	**2 March 2003 £m**	**2 March 2003 £m**	3 March 2002 £m	3 March 2002 £m
Fixed assets					
Investments	10		**62.6**		62.3
Current assets					
Debtors	12	**300.7**		291.3	
Cash at bank and in hand		**–**		0.1	
		300.7		291.4	
Creditors:* amounts *falling* due *within* one *year	13	***(40.0)***		(32.5)	
Net current assets			**260.7**		258.9
Total assets less current liabilities			**323.3**		321.2
Creditors: amounts falling due after more than one year	14		**(229.0)**		(227.8)
Net assets			**94.3**		93.4
Capital and reserves					
Called up share capital	17		**18.3**		18.3
Share premium account	18		**60.9**		60.3
Profit and loss account	18		**15.1**		14.8
Shareholders' funds			**94.3**		93.4

The financial statements were approved by the Board of Directors on 19 May 2003.

Andrew Burns, *Finance Director*



The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 2 March 2003

	Note	**52 weeks ended 2 March 2003 £m**	53 weeks ended 3 March 2002 £m
Net cash inflow from operating activities	20	**113.3**	116.0
Returns on investment and servicing of finance	21	**(14.7)**	(14.7)
Taxation		**(15.2)**	(27.2)
Capital expenditure and financial investment	21	**(73.4)**	(87.1)
Acquisitions and disposals	24	**(0.9)**	(21.4)
Equity dividends paid		**(7.6)**	(6.8)
Net cash inflow / (outflow) before financing		**1.5**	(41.2)
Financing	21	**7.3**	55.5
Increase in cash in the period	23	**8.8**	14.3

The accompanying accounting policies and notes form an integral part of these financial statements.

Notes to the Financial Statements

for the year ended 2 March 2003

1 Turnover and profit on ordinary activities before taxation

The turnover and operating profit by class of business are given on pages 5 and 6.

The going concern acquisitions in the year have been combined into the Group's operations. As their results are not significant within the overall Group, no separate disclosure has been given.

The profit on ordinary activities before taxation is stated after:

	52 weeks ended 2 March 2003 £m	53 weeks ended 3 March 2002 £m
Auditors' remuneration		
– *audit services*	**0.1**	0.1
– non audit services	**–**	0.1
Depreciation, impairment and amortisation	**47.6**	39.8
Operating lease rentals of land and buildings	**19.1**	18.6
Rents receivable and other income	**(1.7)**	(1.8)

2 Net interest

	52 weeks ended 2 March 2003 £m	53 weeks ended 3 March 2002 £m
On bank overdraft and loans	**(15.3)**	(14.8)
Loan note interest	**(0.1)**	(0.2)
	(15.4)	(15.0)
Capitalised interest	**0.4**	0.3
	(15.0)	(14.7)
Other interest receivable and similar income	**0.3**	–
	(14.7)	(14.7)

Notes to the Financial Statements continued

3 Directors and employees

Staff costs during the year were as follows:

	52 weeks ended 2 March 2003 £m	53 weeks ended 3 March 2002 £m
Wages and salaries	**66.9**	64.4
Social security costs	**5.2**	4.2
Other pensions costs	**1.3**	1.1
	73.4	69.7

The Group operates defined contribution pension schemes. The assets of these schemes are held separately from those of the Group. The pension cost is shown above.

The average number of employees of the Group during the period was:

	52 weeks ended 2 March 2003	53 weeks ended 3 March 2002
Administration centre	**369**	348
Operations	**7,973**	9,776
	8,342	10,124

Remuneration in respect of the Directors of Luminar plc was as follows:

	52 weeks ended 2 March 2003 £000	53 weeks ended 3 March 2002 £000
Emoluments	**1,097**	730
Gains made from the exercise of share options	**–**	420
Gains made from the sale of share warrants	**3,405**	–
Pension contributions to money purchase pension schemes	**460**	138
Management remuneration	**4,962**	1,288
Directors' fees	**240**	265
	5,202	1,553

During the year, five Directors (2002: five Directors) participated in a defined contribution pension scheme.
During the year, none of the Directors (2002: two Directors) exercised share options subsequent to their appointment.
During the year, four Directors (2002: none) sold share warrants in the Company.
The amounts set out above include remuneration of the highest paid Director as follows:

	52 weeks ended 2 March 2003 £000	53 weeks ended 3 March 2002 £000
Emoluments	**424**	425
Gains made on exercise of share options	**–**	135
Gains made on sale of share warrants	**2,472**	–
Pension contributions to money purchase pension schemes	**370**	85

More detailed information concerning the emoluments and share warrants is shown in the Report of the Remuneration Committee on pages 21 to 28.

Notes to the Financial Statements continued

4 Tax on profit on ordinary activities

(a) Analysis of charge in year

The taxation charge is based on the profit for the year and represents:

	52 weeks ended 2 March 2003 £m	53 weeks ended 3 March 2002 £m
Current tax		
UK corporation tax on profits of the year	**19.3**	19.3
Adjustments in respect of previous years	**–**	(0.1)
Total current tax	**19.3**	19.2
Deferred tax		
Origination and reversal of timing differences:		
current year	**3.4**	4.7
Total deferred tax	**3.4**	4.7
Tax on profit on ordinary activities	**22.7**	23.9

(b) Factors affecting tax charge for year

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The differences are explained as follows:

	52 weeks ended 2 March 2003 £m	53 weeks ended 3 March 2002 £m
Profit on ordinary activities before tax	**53.7**	56.7
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002: 30%)	**16.1**	17.0
Effects of:		
Expenses not deductible for tax purposes	**0.1**	–
Goodwill amortisation	**3.9**	3.9
Capital allowances for year in excess of depreciation	**(0.1)**	(1.6)
Rollover relief on profit on disposal of property	**(0.7)**	–
Adjustments to tax charge in respect of previous years	**–**	(0.1)
Current tax charge for year	**19.3**	19.2

5 Profit for the financial year

The holding Company has taken advantage of Section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The Company profit after tax for the year was £8.7m (2002: £15.8m).

Notes to the Financial Statements continued

6 Dividends

	52 weeks ended 2 March 2003 £m	53 weeks ended 3 March 2002 £m
Equity dividends		
Ordinary shares – interim dividend of 3.34p per share	**2.4**	2.1
Paid 3 January 2003 (2002: 2.90p per share)		
Ordinary shares – proposed final dividend of 8.06p per share		
(2002: 7.00p per share)	**5.9**	5.1
	8.3	7.2

7 Earnings per share

The calculation of the basic earnings per share is based on the earnings attributed to ordinary shareholders divided by the weighted average number of shares in issue during the year.

The calculation of diluted earnings per share is based on the basic earnings per share, adjusted to allow for the issue of shares and the post tax effect of interest, on the assumed conversion of all dilutive options and other dilutive potential ordinary shares.

Reconciliations for the earnings and weighted average number of shares used in the calculations are set out below.

	2003 Earnings £m	**2003 Weighted average number of shares**	**2003 Per share amount**	2002 Earnings £m	2002 Weighted average number of shares	2002 Per share amount
Profit attributable to shareholders	**31.0**			32.8		
Basic earnings per share		**73,152,125**	**42.4p**		73,042,500	44.9p
Dilutive effect of warrants and options		**12,861**			1,231,913	
Diluted earnings per share		**73,164,986**	**42.4p**		74,274,413	44.2p

The Group has provided an alternative calculation of earnings per share before goodwill amortisation to provide a measure of performance more reflective of the trading of the Group.

	2003 Earnings £m	**2003 Weighted average number of shares**	**2003 Per share amount**	2002 Earnings £m	2002 Weighted average number of shares	2002 Per share amount
Profit attributable to shareholders before adjustments for goodwill amortisation	**43.9**			45.7		
Basic earnings per share		**73,152,125**	**60.0p**		73,042,500	62.6p
Dilutive effect of warrants and options		**12,861**			1,231,913	
Diluted earnings per share		**73,164,986**	**60.0p**		74,274,413	61.5p

Notes to the Financial Statements continued

8 Intangible fixed assets

Group

	Goodwill £m	Trademarks £m	Total £m
Cost			
At 3 March 2002	258.7	0.1	258.8
Additions	0.2	–	0.2
At 2 March 2003	**258.9**	**0.1**	**259.0**
Amortisation			
At 3 March 2002	20.4	–	20.4
Charge	12.9	–	12.9
At 2 March 2003	**33.3**	**–**	**33.3**
Net book amount at 2 March 2003	**225.6**	**0.1**	**225.7**
Net book amount at 3 March 2002	238.3	0.1	238.4

The carrying amount at 2 March 2003 of goodwill is made up as follows:

	Total £m
Dancing units purchased from Allied Leisure plc on 6 December 1999	11.5
Acquisition of Northern Leisure PLC on 11 July 2000	210.4
Other units acquired	3.7
	225.6

Goodwill is being amortised over 20 years being the Directors' estimate of its useful economic life based on the assessment of the industry in which the Group operates.

9 Tangible fixed assets

Group

	Freehold land and buildings £m	Long leasehold land and buildings £m	Short leasehold land and buildings £m	Fixtures, fittings, furniture and equipment £m	Motor vehicles £m	Total £m
Cost or valuation						
At 3 March 2002	164.0	17.0	146.3	254.5	2.6	584.4
Additions	2.8	1.7	2.5	73.8	1.4	82.2
Disposals	(2.3)	–	–	(4.2)	(0.9)	(7.4)
At 2 March 2003	**164.5**	**18.7**	**148.8**	**324.1**	**3.1**	**659.2**
Depreciation						
At 3 March 2002	0.9	0.5	10.9	45.4	0.9	58.6
Charge	1.6	0.9	6.1	25.1	1.0	34.7
Disposals	–	–	–	(1.4)	(0.6)	(2.0)
At 2 March 2003	**2.5**	**1.4**	**17.0**	**69.1**	**1.3**	**91.3**
Net book amount at 2 March 2003	**162.0**	**17.3**	**131.8**	**255.0**	**1.8**	**567.9**
Net book amount at 3 March 2002	163.1	16.5	135.4	209.1	1.7	525.8

Fixed assets with a cost of £0.9m (2002: £3.4m) and accumulated depreciation of £0.1m (2002: £0.4m) were held for use in operating leases as sublets to third parties.

Notes to the Financial Statements *continued*

9 Tangible fixed assets continued

The figures stated in the above table for cost or valuation include a valuation as follows:

	Short leasehold land and buildings 2 March 2003 £m	Short leasehold land and buildings 3 March 2002 £m	**Fixtures, fittings, furniture and equipment 2 March 2003 £m**	Fixtures, fittings, furniture and equipment 3 March 2002 £m
At cost	**147.1**	144.6	**322.3**	252.7
At 1990 valuation	**1.7**	1.7	**1.8**	1.8
	148.8	146.3	**324.1**	254.5

If the above assets had not been revalued in 1990, they would have been included on the historical cost basis at the following amounts:

	Short leasehold land and buildings £m	Fixtures, fittings, furniture and equipment £m
Cost	148.7	323.7
Accumulated depreciation	(17.0)	(69.6)
Net book amount at 2 March 2003	**131.7**	**254.1**
Net book amount at 3 March 2002	135.2	208.2

10 Fixed asset investments

Group Carrying Value

	Other Investments £m
At 3 March 2002	1.2
Additions in the year	0.5
Provisions in the year	(1.7)
At 2 March 2003	**–**

The Company Carrying Value

	Shares in subsidiary undertakings £m	Other investments £m	Loan to subsidiary undertaking £m	Total £m
At 3 March 2002	38.1	0.6	23.6	62.3
Additions in the year	–	0.5	0.9	1.4
Provisions in the year	–	(1.1)	–	(1.1)
At 2 March 2003	**38.1**	**–**	**24.5**	**62.6**

Notes to the Financial Statements continued

10 Fixed asset investments continued

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.

	Class of share capital	Issued share capital	Proportion held	Nature of business
Luminar Leisure Limited	Ordinary	£28.3m	100%	Licensed premises
Evered Employee Benefit Trustees Limited (registered in Jersey)	Ordinary	£10	100%	Trustee company

Unless otherwise stated, all subsidiaries are registered in England and Wales.

11 Stocks

	The Group 2 March 2003 £m	The Group 3 March 2002 £m	**The Company 2 March 2003 £m**	The Company 3 March 2002 £m
Goods for resale	**4.6**	3.0	**–**	–

12 Debtors

	The Group 2 March 2003 £m	The Group 3 March 2002 £m	**The Company 2 March 2003 £m**	The Company 3 March 2002 £m
Amounts owed by Group undertakings	**–**	–	**299.2**	289.2
Other debtors	**5.1**	6.9	**1.2**	1.9
Prepayments and accrued income	**5.2**	4.5	**0.3**	0.2
	10.3	11.4	**300.7**	291.3

13 Creditors: amounts falling due within one year

	The Group 2 March 2003 £m	The Group 3 March 2002 £m	**The Company 2 March 2003 £m**	The Company 3 March 2002 £m
Bank loans and overdrafts (see note 15)	**19.2**	12.8	**19.2**	12.8
Trade creditors	**8.2**	19.6	**–**	–
Amounts owed to Group Undertakings	**–**	–	**10.8**	10.9
Corporation tax	**10.3**	6.2	**0.6**	0.9
Social security and other taxes	**6.5**	3.3	**0.1**	–
Proposed dividends	**5.9**	5.1	**5.9**	5.1
Accruals and deferred income	**31.6**	24.2	**3.4**	2.8
	81.7	71.2	**40.0**	32.5

Notes to the Financial Statements continued

14 Creditors: amounts falling due after more than one year

	The Group 2 March 2003 £m	The Group 3 March 2002 £m	**The Company 2 March 2003 £m**	The Company 3 March 2002 £m
Bank loans (see note 15)	**228.0**	225.8	**228.0**	225.8
Loan notes (see note 15)	**1.0**	2.9	**1.0**	2.0
	229.0	228.7	**229.0**	227.8

15 Financial Instruments

The Group uses financial instruments in order to reduce its exposure to financial risk. The use of such financial instruments constitutes part of the Group's funding strategy. The Group manages its financial instrument credit risk by only undertaking transactions with relationship banks, holding good credit ratings. Such transactions are governed by board policies and procedures.

As all the Group's operations are transacted in the reporting currency, there is no currency exposure.

Short-term debtors and creditors have been excluded from all the following disclosures.

Refinancing of group facilities

During the period under review, the headroom of the Group was increased by £32.7m by the addition of a syndicated, revolving facility.

Interest rate risk

The principal area of financial risk is interest rate risk.

The Group finances its operations through a mixture of retained profits and bank borrowings.

Interest rate risk on borrowings is minimised by using interest rate swaps.

It is considered appropriate to have between 40% and 50% of debt facility at fixed rates, depending on the maturity profile of the Group's outstanding facilities.

a) Interest rate exposure of financial liabilities

After taking into account the various interest rate swaps entered into by the Group, the interest rate profile of the Group's financial liabilities at 2 March 2003 was:

	Fixed rate £m	Floating rate £m	Total £m	Fixed rate weighted average Interest rate %	Fixed rate weighted average Time period Years
2003	**136.0**	**112.2**	**248.2**	**5.4**	**2.7**
2002	137.9	103.6	241.5	5.4	3.7

The floating rate borrowings bear interest at rates based on LIBOR for periods of between one month and six months.

Notes to the Financial Statements continued

15 ***Financial Instruments*** *continued*

b) Maturity analysis of financial liabilities

The maturity profile of the Group's financial liabilities as at the year end was as follows:
Bank and other borrowings

	The Group		The Company	
	2003 £m	2002 £m	**2003 £m**	2002 £m
Within one year or on demand	**19.2**	12.8	**19.2**	12.8
Between one and two years	**38.4**	25.6	**38.4**	25.6
Between two and five years	**190.6**	203.1	**190.6**	202.2
As at year end	**248.2**	241.5	**248.2**	240.6

c) Borrowing facilities

The Group's undrawn floating facilities as at the year end were as follows:

	2003 £m	2002 £m
Expiring after two years	**55.5**	20.0
	55.5	20.0

Of these facilities, £50.5m are committed and are secured by means of a floating charge over the Group's current and future assets.

d) Fair values of financial assets and liabilities

	At 2 March 2003		At 3 March 2002	
	Book value £m	**Fair value £m**	Book value £m	Fair value £m
Primary financial instruments held or issued to finance the Group operations				
Short term financial liabilities and current portion of long term borrowings	**(19.2)**	**(19.2)**	(12.8)	(12.8)
Long term borrowings	**(229.0)**	**(229.0)**	(228.7)	(228.7)
Cash at bank and in hand	**22.6**	**22.6**	13.8	13.8
Derivative financial instruments held to manage the interest rate and currency profile				
Interest rate swaps	**–**	**(7.5)**	–	(1.6)

The fair value of interest rate swaps have been determined with reference to market rates at the balance sheet date.

The fair values of all primary financial assets and liabilities are deemed to approximate to their book values.

e) Hedges on future transactions

As explained on page 9, the Group's policy is to hedge interest rate risk by using interest rate swaps and forward rate agreements. The unrecognised losses on interest rate swaps as at the balance sheet date are disclosed in Note (d).

f) Financial instruments held for trading purposes

The Group does not trade in financial instruments.

Notes to the Financial Statements continued

16 Provisions for liabilities and charges

Deferred Tax

Group

	£m
Provision at 3 March 2002	16.0
Deferred tax charge in profit and loss account for period	3.4
Provision at 2 March 2003	**19.4**

Deferred taxation provided for in the accounts at the year end represents provision at 30% on accelerated capital allowances.

17 Share capital

	Number	**2 March 2003 £m**	3 March 2002 £m
Authorised			
Ordinary shares of 25p (2002: 106,000,000)	106,000,000	**26.5**	26.5
Allotted called up and fully paid			
Ordinary shares of 25p each (2002: 73,090,426)	73,175,280	**18.3**	18.3

Allotments made during the period
During the year ended 2 March 2003, the following allotments of shares were made :

Date	Number of shares	Scheme	Price £	Credited to Share capital A/c £	Credited to Share premium A/c £
18/03/02	810	Savings-Related	7.22	202.50	5,645.70
16/05/02	40,100	1996 Executive scheme	1.915	10,025.00	66,766.50
23/05/02	650	1996 Executive scheme	3.405	162.50	2,050.75
03/07/02	41,156	Share Warrants	6.675	10,289.00	264,427.30
16/09/02	685	Savings-Related	7.50	171.25	4,966.25
02/10/02	1,201	Savings-Related	5.58	300.25	6,401.33
03/12/02	252	Savings-Related	5.58	63.00	1,343.16
	84,854	= total shares allotted in year			

Key:
Savings Related = The Savings Related Share Option Scheme
1996 Executive scheme = The Executive Share Option Scheme 1996
Share Warrants = Allotments pursuant to the Share Warrants instrument approved February 1999

No allotment of shares were made under the Executive Share Option Scheme 1999.

All of the allotment of shares took place for cash, which was received in full prior to allotment.

Notes to the Financial Statements continued

17 Share capital *continued*

1996 Executive Share Option Scheme

Date of grant	Number of Ordinary Shares under option	Exercise price £	Exercise period
13/05/96	907	1.915	13/05/99 to 12/05/06
09/01/98	12,500	5.035	09/01/01 to 08/01/08
18/11/98	121,500	6.64	18/11/01 to 17/11/08
22/02/99	180,000	8.05	22/02/02 to 21/02/09
04/08/99	33,500	9.366	04/08/02 to 03/08/09
14/02/00	40,000	8.35	14/02/03 to 13/02/10
11/07/00	1,270,000	7.14	11/07/03 to 10/07/10
21/08/00	27,875	6.85	21/08/03 to 20/08/10
16/01/01	127,660	7.52	16/01/04 to 15/01/11
23/02/01	35,435	8.13	23/02/04 to 22/02/11
04/07/01	104,332	8.80	04/07/04 to 03/07/11
09/07/01	46,634	8.94	09/07/04 to 08/07/11
10/07/02	133,758	7.85	10/07/05 to 09/07/12
09/12/02	428,685	4.19	09/12/05 to 08/12/12

Save As You Earn Share Option Scheme

Date of grant	Number of Ordinary Shares under option	Exercise price £	Exercise period
04/07/00	34,781	5.58	24/08/03 to 23/02/04
13/07/01	66,454	7.28	01/09/04 to 28/02/05
12/07/02	64,924	6.62	01/09/05 to 28/02/06

1999 Company Share Option Plan

Date of grant	Number of Ordinary Shares under option	Exercise price £	Exercise period
27/07/99	27,291	9.375	27/07/02 to 26/07/09
04/08/99	12,250	9.366	04/08/02 to 03/08/09
21/08/00	55,181	6.85	21/08/03 to 20/08/10
04/07/01	34,090	8.80	04/07/04 to 03/07/11
09/07/01	34,282	8.94	09/07/04 to 08/07/11

Northern Leisure 1998 Executive Share options Scheme ('Rolled over' options)

Date of grant	Number of Ordinary Shares under option	Exercise price £	Exercise period
16/06/98	319,750	8.74	16/06/03 to 15/06/08
14/10/98	602	3.32	14/10/01 to 13/10/03
01/12/99	10,435	6.80	01/12/02 to 30/11/04

Notes to the Financial Statements continued

17 Share capital continued

Warrants

Date of grant	Number of Ordinary Shares under option	Exercise price £	Exercise period
24/02/99	4,081,012	6.675	2003 to 2009

Warrants are only exercisable in a 28-day period starting with the publication of the audited accounts for the relevant year.

Mr Jools Holland

Date of grant	Number of Ordinary Shares under option	Exercise price £	Exercise period
03/07/01	50,000	8.77	03/07/06 to 02/01/07

The options granted to Mr Holland only become exercisable on the 5th anniversary of the grant date, and only if Mr Holland is still involved with the Company and its Jam House brand at that time.

18 Share premium account and reserves

Group

	Share premium account £m	Capital reserve £m	Merger reserve £m	Profit and loss account £m
At 3 March 2002	60.3	2.3	342.4	54.4
Retained profit for 52 weeks ended 2 March 2003	–	–	–	22.7
Premium on allotments during the year	0.6	–	–	–
At 2 March 2003	**60.9**	**2.3**	**342.4**	**77.1**

The capital reserve arose in the formation of Luminar plc when the principles of merger accounting were followed. The merger reserve arose on the acquisition of Northern Leisure plc where the principles of acquisition accounting were followed. These reserves are not distributable.

Company

	Share premium account £m	Profit and loss account £m
At 3 March 2002	60.3	14.8
Retained profit for 52 weeks ended 2 March 2003	–	0.3
Premium on allotments during the year	0.6	–
At 2 March 2003	**60.9**	**15.1**

Notes to the Financial Statements continued

19 Reconciliation of movements in shareholders' funds

Group

	52 weeks ended 2 March 2003 £m	53 weeks ended 3 March 2002 £m
Profit for the financial year	**31.0**	32.8
Dividends	**(8.3)**	(7.2)
	22.7	25.6
Issue of shares	**0.6**	1.0
Net increase in shareholders' funds	**23.3**	26.6
Opening shareholders' funds	**477.7**	451.1
Closing shareholders' funds	**501.0**	477.7

20 Reconciliation of operating profit to operating cash flow

	£m	52 weeks ended 2 March 2003 £m	53 weeks ended 3 March 2002 £m
Operating profit		**68.4**	71.4
Depreciation and amortisation of goodwill		**45.6**	39.8
Provision for impairment of assets to be disposed	**2.0**		–
Profit on sale of fixed assets	**(4.6)**		–
Provision against carrying value of investments	**1.7**		–
		(0.9)	–
Change in stocks		**(0.1)**	(0.5)
Change in debtors		**1.1**	(1.1)
Change in creditors		**(0.8)**	6.4
Net cash inflow from operating activities		**113.3**	116.0

The change in debtors includes a writedown of £1.1m of assets which relate to the carrying value of those investments provided for above.

Notes to the Financial Statements continued

21 Gross cash flow

	52 weeks ended 2 March 2003 £m	**52 weeks ended 2 March 2003 £m**	53 weeks ended 3 March 2002 £m	53 weeks ended 3 March 2002 £m
Returns on investment and servicing of finance				
Interest received	**0.3**		–	
Interest paid	**(15.0)**		(14.7)	
Net cash outflow from returns on investments and servicing of finance		**(14.7)**		(14.7)
Capital expenditure				
Purchase of tangible fixed assets	**(81.3)**		(88.1)	
Purchase of intangible fixed assets	**(0.2)**		–	
Purchase of fixed asset investments	**(0.5)**		(0.3)	
Sale of fixed assets	**8.6**		1.3	
Net cash outflow for capital expenditure		**(73.4)**		(87.1)
Financing				
Issue of shares (net of expenses)	**0.6**		1.0	
Repayment of secured loan	**(1.9)**		(187.0)	
Issue of new secured loan	**8.6**		241.5	
Net cash inflow from financing		**7.3**		55.5

22 Reconciliation of net cash flow to movement in net debt

	52 weeks ended 2 March 2003 £m	53 weeks ended 3 March 2002 £m
Increase in cash in the year	**8.8**	14.3
Cash inflow from financing	**(6.7)**	(54.5)
Movement in net debt in the year	**2.1**	(40.2)
Opening Net Debt	**(227.7)**	(187.5)
Closing Net Debt	**(225.6)**	(227.7)

23 Analysis of changes in net debt

	3 March 2002 £m	Cash Flow £m	**2 March 2003 £m**
Cash at bank and in hand	13.8	8.8	**22.6**
Bank overdrafts	–	–	**–**
	13.8	8.8	**22.6**
Term loans	(241.5)	(6.7)	**(248.2)**
	(227.7)	2.1	**(225.6)**

Notes to the Financial Statements continued

24 Acquisitions

During the year, the Group made various piecemeal going concern acquisitions for a total consideration, including costs, of £0.9m in cash. No book values of assets acquired were available.

The cash outflow in relation to the acquisition and disposal of subsidiary undertakings and unincorporated business is as follows:

	2 March 2003 £m	3 March 2002 £m
Consideration and costs	**0.9**	21.4

25 Financial commitments

At 2 March 2003, the Group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 2 March 2003 £m	Land and buildings 3 March 2002 £m
Expiring in less than one year	**0.3**	–
Expiring between one and five years	**0.7**	1.3
Expiring in over five years	**20.4**	20.0
	21.4	21.3

As at the year end, the Group had no other financial commitments other than for operating leases.

26 *Pensions*

Defined Contributions Schemes

The Group operates defined contribution schemes for the benefit of Directors and employees. The schemes are administered by trustees and the assets are held in a fund independent from those of the Group.

27 Contingent liabilities

The Group had no contingent liabilities at 2 March 2003 (2002: None).

28 Related party transactions

During the 52 week period to 2 March 2003, the Group did not enter in to any related party transactions (2002: None).