SPRINGWOOD PLC

ANNUAL REPORT AND ACCOUNTS 2001

Registered Number
122634

REPORT OF THE DIRECTORS

The Directors present their report together with financial statements for the year ended 31 December 2001.

Principal activities

The Group operates within the leisure sector as an operator of nightclubs, venue bars, public houses and restaurants. A review of the Group's performance for 2001 and its prospects for 2002 are contained in the Chairman's Statement on pages 2 and 3, and the Operational and Financial Reviews on pages 4 to 11.

Results and dividends

The consolidated loss for the year after taxation was £922,000 (2000 profit: £984,000).

A final dividend of 3.0p is proposed in respect of the year ended 31 December 2001 (2000: 2.5p) which, if approved by shareholders, will be paid on 24 July 2002 to shareholders on the register as at 8 March 2002. The cost of dividends will be £642,000, leaving a deficit of £1,564,000 to be met from reserves.

Post balance sheet events

On 28 May 2002 the Group acquired the entire share capital of Victorian Leisure Limited, a company that operates through its wholly owned subsidiary PTTMS Limited (formerly Deltacloud Limited), a late night entertainment and bar complex comprising a night club, a live music venue and three late night venue bars in Barnsley. The consideration of £3,250,000 was satisfied in cash from the Group's bank facilities.

Since 31 December 2001 the Group has sold sites at Anstey, Ashford, Burton, Coventry and Wolverhampton for a combined consideration of £2,241,000.

Directors

The present membership of the Board is set out below, together with (where relevant) their dates of appointment or retirement. As indicated at the AGM held on 24 April 2001 W McGregor resigned from active membership of the Board due to ill health.

The beneficial and non-beneficial interests of the Directors and their families in the shares of the Company at 31 December 2001 and 1 January 2001 (or date of appointment if later) were as follows:

	31 December 2001 10p ordinary shares		1 January 2001 10p ordinary shares	
	Beneficial	**Non beneficial**	Beneficial	Non beneficial
Executive directors				
A S Page	**8,158,397**	**50,000**	8,158,397	50,000
D R Stevenson	**–**	**–**	–	–
C R Clegg	**15,777**	**–**	5,777	–
N A Dennett	**–**	**–**	–	–
Non-executive directors				
A J Hall	**171,150**	**–**	141,150	–
R D Pickard (appointed 3 September 2001)	**35,000**	**–**	–	–
J B Wagstaff	**250,000**	**–**	250,000	–

In the period between 1 January 2002 and 19 June 2002 there were no changes to these holdings.

Details of Directors' share option entitlements are given in the Report of the Remuneration Committee.

J B Wagstaff and C R Clegg retire by rotation, and being eligible, offer themselves for re-election. R D Pickard was appointed to the Board during the year. In accordance with the Articles of Association, shareholders will be asked to confirm this appointment at the Annual General Meeting.

No Director had a material interest in any contract which was significant in relation to the Group's business, either during or at the end of the year, other than as disclosed in note 30 to the financial statements.

Substantial shareholders

At 12 June 2002, the following had notified the Company of a disclosable interest in 3% or more of the nominal value of the Company's shares:

	10p ordinary shares	%
A S Page	8,208,397	38.4
Chase Nominees Limited	1,087,931	5.1
Sharelink Nominees Limited	744,781	3.5

Share capital
As special business at the Annual General Meeting shareholders are being asked to give the authority to Directors to issue shares. The resolutions as set out in the notice on pages 42 and 43 will authorise the Directors to allot relevant securities for the purpose of section 80 of the Companies Act 1985 up to a maximum aggregate nominal amount of £706,259 being approximately 33% of the total ordinary share capital in issue at 19 June 2002 and to issue equity securities (as defined in section 94 of the Act) up to a maximum aggregate nominal amount of £107,009 equivalent to approximately 5% of the existing issued ordinary share capital of the Company (in issue as at 19 June 2002) for cash without being limited by the restrictions otherwise imposed by the statutory pre-emption provisions set out in section 89(1) of the Act. Both authorities will terminate at the conclusion of the AGM of the Company to be held in 2003 or 15 months after the passing of these resolutions (whichever is the earlier). The Directors have no present intention of exercising any authority given pursuant to section 80 of the Act (other than in connection with any valid exercise of options under the 1996 Approved Executive Share Option Scheme, the 1996 Employee (Savings Related) Share Option Scheme or the 1999 Unapproved Executive Share Option Scheme.

Employee involvement
The Group recognises its responsibilities towards keeping employees informed of matters affecting them as employees and the economic factors affecting the performance of the Group. To this end consultations take place at appropriate times with employees.

During the year options were granted to employees under the Group's share option schemes. The Group continues to seek out new ways to encourage employee involvement in the profitability of the Group.

Disabled employees
The Group recognises its obligations towards disabled people and endeavours to provide employment where possible, having regard to the physical demands of the Group's operations and the abilities of the disabled persons. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the Group may continue.

It is the policy of the Group that training, career development and promotion opportunities should be available to all employees.

Payment policy and average payment period
It is the Group's policy to follow the CBI Code of Practice for Buyers in relation to the payment of its suppliers for the forthcoming year. Copies of, and further information on, the CBI Code can be obtained from the CBI, Centre Point, 103 New Oxford Street, London, WC1A 1DV.

Trade creditors for the Company at the year end amount to nil days of average supplies for the year as calculated under the prescribed method in Statutory Instrument 2000/571. An alternative figure of 46 days for the Group which takes account of trading throughout the Group is a more meaningful measure.

Auditors
Grant Thornton offer themselves for re-appointment as auditors in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD

M J Marley
Secretary
20 June 2002

Registered office:
Swithland Hall
Swithland
Leicestershire
LE12 8TD

REPORT OF THE REMUNERATION COMMITTEE

The Remuneration Committee consists of the Non-Executive Directors, A J Hall, R D Pickard and J B Wagstaff.

Remuneration Policy

The remuneration packages of the Executive Directors are assessed by the Committee having regard to their individual responsibilities and by comparisons made within the leisure industry. Executive remuneration packages are designed to attract, motivate and retain Directors of the calibre necessary to maintain and increase the Group's market share and to reward them for enhancing shareholder value.

The remuneration of the Non-Executive Directors is approved by the whole Board. Non-Executive Directors are not eligible to participate in any of the Company's share schemes. Non-Executive Directors do not have service contracts and are not eligible to join any Company pension scheme.

Service contracts

Each of the Executive Directors has entered into a service agreement, the principal terms of which are as follows:

A S Page

- a term of one year with effect from 1 January 2001 and thereafter until the agreement is terminated by not less than twelve months notice (unexpired term: twelve months).
- annual contractual remuneration of £115,000 per annum or such higher amount (currently £115,000) as agreed between the Director and the Remuneration Committee, plus normal benefits.
- participation in annual bonus scheme payable at sole discretion of the Remuneration Committee (bonus of £20,000 for 2001).

C R Clegg

- *a term of one year with effect from 1 January 2001 and thereafter until the agreement is terminated by not less than* twelve months notice (unexpired term: twelve months)
- annual contractual remuneration of £68,000 or such higher amount (currently £75,000) as agreed between the Director and the Remuneration Committee, plus normal benefits.
- participation in annual bonus scheme payable at the sole discretion of the Remuneration Committee (bonus of £16,000 for 2001).

D R Stevenson

- a term of one year with effect from 1 January 2001 and thereafter until the agreement is terminated by not less than twelve months notice (unexpired term: twelve months)
- annual contractual remuneration of £66,000 or such higher amount (currently £70,000) as agreed between the Director and the Remuneration Committee, plus normal benefits.
- participation in annual bonds scheme payable at the sole discretion of the Remuneration Committee (bonus of £12,000 for 2001).

N A Dennett

- a term of one year with effect from 1 January 2001 and thereafter until the agreement is terminated by not less than twelve months notice (unexpired term: twelve months)
- annual contractual remuneration of £68,000 or such higher amount (currently £68,000) as agreed between the Director and the Remuneration Committee, plus normal benefits.
- participation in annual bonus scheme payable at the sole discretion of the Remuneration Committee (bonus of £8,000 for 2001).

Bonuses and other incentives

The Remuneration Committee seeks to motivate senior management by a combination of short and long-term incentives.

Short-term incentives principally take the form of bonuses, primarily for the executive directors. The bonus earned by A S Page in respect of the year ended 31 December 2001 was £20,000 (2000: £14,560). In addition annual bonuses have been paid to D R Stevenson, C R Clegg and N A Dennett as the Group achieved designated annual profit targets for the year.

Long-term incentives principally take the form of the grant of options under the Executive Share Option Scheme and the Unapproved Executive Share Option Scheme. In granting such options, the Remuneration Committee seeks to ensure that the options will motivate the recipient to contribute to overall increases in shareholder value.

There are no long-term incentive schemes in existence other than share options.

Directors' remuneration

	2001 £	2000 £
Salaries and benefits in kind	**434,237**	357,098
Directors' fees	**28,000**	24,000
	462,237	381,098

The emoluments of the Directors are analysed as follows:

	Salary and fees £	Bonuses £	Benefits £	Total 2001 £	Total 2000 £
Executive Directors					
A S Page	**115,000**	**20,000**	**12,917**	**147,917**	138,057
Mrs P A Turner (deceased)	–	–	–	–	16,611
C R Clegg	**75,000**	**16,000**	**7,823**	**98,823**	87,181
D R Stevenson	**70,000**	**12,000**	**5,199**	**87,199**	50,324
N A Dennett	**68,000**	**8,000**	**6,549**	**82,549**	57,374
W McGregor (resigned)	**17,749**	–	–	**17,749**	7,101
Non-Executive Directors					
A J Hall	**12,000**	–	–	**12,000**	12,000
R D Pickard (appointed 3 September 2001)	**4,000**	–	–	**4,000**	–
J B Wagstaff	**12,000**	–	–	**12,000**	12,000
	373,749	**56,000**	**32,488**	**462,237**	381,098

Share options

Full details of share option schemes are given in note 21 to the financial statements. Details of options granted to Directors under the share option schemes are given below.

	At 1 January 2001	Granted during the year	At 31 December 2001	Exercise price p	Date from which exercisable	Expiry date
D R Stevenson						
Executive scheme	21,276	–	**21,276**	141.0	October 2003	October 2010
Unapproved scheme	*28,724*	–	**28,724**	*141.0*	*October 2003*	*October 2010*
Unapproved scheme	–	22,000	**22,000**	106.5	October 2004	October 2011
C R Clegg						
Executive scheme	38,360	–	**38,360**	78.2	July 2000	July 2006
Unapproved scheme	100,000	–	**100,000**	112.5	May 2002	May 2009
Unapproved scheme	70,000	–	**70,000**	141.0	October 2003	October 2010
Unapproved scheme	–	30,000	**30,000**	106.5	October 2004	October 2011
N A Dennett						
Executive scheme	21,276	–	**21,276**	141.0	October 2003	October 2010
Unapproved scheme	28,724	–	**28,724**	141.0	October 2003	October 2010
Unapproved scheme	–	10,000	**10,000**	106.5	October 2004	October 2011

The market price of the Company's shares at 31 December 2001 was 156.0p, and the price range during 2001 was 95.0p to 204.5p.

J B Wagstaff
Non-Executive Director and Chairman of the Remuneration Committee
20 June 2002

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

The Company is committed to applying the highest principles of corporate governance commensurate with its size.

COMPLIANCE WITH THE CODE

The Company has complied throughout the year with the Code provisions set out in Section 1 of the Combined Code except that:

A.2.1 No senior Non-Executive Director has been nominated, as this is not considered necessary given that the Board has only seven members.

A.5.1 No Nomination Committee exists as the Board has only seven members and therefore such a Committee is not considered necessary.

A.6.1 Non-Executive Directors are not appointed for specific terms, but their contribution to the Board is reviewed by the Chairman on a regular basis.

THE BOARD OF DIRECTORS

The Board of Directors represents the shareholders' interests in seeking to create a profitable, cash-generative leisure business providing both income returns and capital growth in the share price. The Board is accountable to the shareholders for determining that the Company and its subsidiaries are managed in such a way as to achieve this objective. The Board has a general responsibility to ensure that the executive Directors are fulfilling their responsibilities. The Board's responsibility is to regularly monitor the effectiveness of its policies and the executive management's decisions in the implementation of their strategies.

In addition to its obligation to improve shareholder value, the Board has a responsibility to the Group's employees and to the communities in which it operates.

These principles and responsibilities are designed to support the successful continuity and future growth of the business.

The Board reviews its composition on a regular basis in the context of the business and its strategies. In this context and in anticipation of continued growth the composition of the Board has been strengthened by the appointment of R D Pickard as a Non-Executive Director.

The Board as a whole is responsible for the procedure of agreeing to the appointment of its own members and for nominating them for election by the shareholders on first appointment. Thereafter, one third of their number shall retire by rotation. As the Board is small the Company does not have a Nomination Committee as required by the Combined Code.

The Board has an open mind as to whether or not the roles of Chairman and Chief Executive should be separate. Its prevailing policy would be for a joint role, based on the particular skills of the individual concerned and the Group's current requirements.

Three members of the Board are independent Non-Executive Directors and whilst none is recognised as senior, they form a powerful voice in influencing the decisions of the Board as a whole.

The Board believes that the fees paid to the Non-Executive Directors and their respective shareholdings are not sufficient to prejudice their judgement, and accordingly the Non-Executive Directors are considered to be independent.

All Directors are able to take independent advice, at the Company's expense, in the furtherance of their duties.

Executive Directors, the Executive Chairman included, are employed on contracts which have unexpired terms which do not exceed one year.

Non-Executive Directors are appointed and are then subject to re-appointment by rotation by the shareholders in general meeting. The Board does not believe that it should establish term limits. As an alternative to term limits, the whole of the Board will, when a Non-Executive Director is standing for re-appointment, assess the Director's suitability for re-appointment.

On appointment Directors are given a comprehensive briefing on the Group's affairs.

DIRECTORS' REMUNERATION

The pay and benefits for Executive Directors, including the Chairman, are determined by the Remuneration Committee – a committee comprised entirely of independent Non-Executive Directors. For Non-Executive Directors, fees and remuneration are determined by the Executive Directors on the advice of the Executive Chairman, who will have regard to fees paid by comparable companies. A statement of the Company's remuneration policy in relation to the Directors and the details of their individual remuneration is contained in the report commencing on page 15.

RELATIONSHIPS WITH SHAREHOLDERS

The Executive Chairman and the Finance Director are the Group's principal spokesmen with investors, fund managers, the press and other interested parties. In order to improve communications, Biddicks were appointed as financial press relations advisors to the Group during the year.

Voting on specific resolutions at the Company's AGM is dealt with by a show of hands, but the Chairman also indicates the balance of proxies received for and against each resolution. Separate resolutions are presented for each substantially separate issue including, inter alia, the report and accounts.

The AGM is attended by all the Directors, including therefore the Chairman of the Remuneration and Audit Committees, who are available to discuss matters with the shareholders.

ACCOUNTABILITY AND AUDIT

The Board presents a balanced and understandable assessment of the Group's position and prospects in all interim and price-sensitive reports and reports to regulators as well as in the information required to be presented by statutory requirements. The responsibilities of the Directors as regards the financial statements are described on page 19 and that of the auditors on page 20. A statement on going concern is also given on page 19.

The Board maintains two standing committees comprising independent Non-Executive Directors appointed to the Board. The Remuneration Committee, chaired by J B Wagstaff, determines, in accordance with its terms of reference, the pay and other benefits of the Executive Directors. The Audit Committee, also chaired by J B Wagstaff, reviews the financial accounts and policies, oversees internal controls and compliance and ensures an objective and professional relationship is maintained with the external auditors.

All Board members have complete access to senior management if required. The Board receives timely advice on all material information about the Company and its subsidiaries, their activities, performance and their projects, particularly including any significant variances from a planned course of progress.

INTERNAL CONTROL

The Board is responsible for maintaining a sound system of internal control to safeguard shareholders' investment and the Group's assets.

The Board has undertaken a review of the Group's system of internal control covering financial, operational and compliance controls and risk. As part of this review the Group has established an on-going process for identifying, evaluating and managing the key risks. The system of internal control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss.

Key processes

The key processes used by the Board to review the effectiveness of the system of internal control include:

- the direct and close supervision of the directors in all key aspects of the business.
- feedback and regular meetings with the managers of individual venues to identify best practice.
- the operation of an internal audit function whose key findings are reviewed on a regular basis.

Key aspects

The key aspects of the system of internal control include the following:

- detailed budgets by trading unit are set in advance of each trading year.
- detailed monthly management accounts (and all related routines) are prepared, and performance compared to budget on a unit by unit basis.
- constant review of competitor activity is undertaken including pricing policies and new clubs.
- a strict admissions policy is operated by the Group.
- the Group has health and safety procedures in place and has appointed N A Dennett to be specifically responsible for this area of risk.
- the Group operates a strict incident reporting procedure to cover any injuries, robberies or drugs related matters.
- the Group prepares detailed cashflow forecasts which are updated regularly in the light of trading performance.

- there is only limited authority for the approval of expenditure at trading unit level. All expenditure is reviewed by Head Office personnel and cheques are only issued from Head Office after receipt of appropriate evidence.
- the Group has an internal audit function which, inter alia, reviews the various controls in place to ensure the completeness of income and the accurate recording of expenditure.
- takings of individual units are reconciled on a daily basis to cash registers and other records.
- margins of individual units are reviewed on a regular basis.
- the Group has detailed controls relating to the appointment, monitoring and payment of staff.
- there is close Board control over all elements of capital expenditure.
- the Group's borrowing exposure is monitored by the Board and suitable interest rate protection obtained by use of appropriate financial instruments.

The Board believes that its system of internal control is appropriate for the size and nature of its operations, and will continue to review potential improvements to the system on a regular basis.

GOING CONCERN

Company law requires the Company's Directors to consider whether it is appropriate to prepare financial statements on the basis that the Group is a going concern. In considering this matter the Directors have reviewed the Group's performance for 2001, its budget for 2002 and plan for 2003.

This included consideration of the cash flow implications of the budget and plan, including proposed capital expenditure, and comparison of these with the Group's borrowing facilities. The Directors see no reason why the Group and the Company should not continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the Group's financial statements.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for that period. In preparing those 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.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the *financial position of the Company and the Group and to 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

BY ORDER OF THE BOARD

M J Marley
Company Secretary

20 June 2002

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF SPRINGWOOD PLC

We have audited the financial statements of Springwood Plc for the year ended 31 December 2001, which comprise the consolidated profit and loss account, the balance sheets, the consolidated cashflow statement, the consolidated statement of total recognised gains and losses, the statement of principal accounting policies and notes 1 to 31.

Respective responsibilities of directors and auditors

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

Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, 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 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 audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the Company is not disclosed.

We review whether the statement on Corporate Governance reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by 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 form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited financial statements. This other information comprises only the Financial Highlights, the Chairman's Statement, the Operational Review, the Financial Review, the Report of the Directors, the Report of the Remuneration Committee and the Statement on Corporate Governance. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with United Kingdom 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 the affairs of the Company and the Group at 31 December 2001 and of the result of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton

GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
Leicester

20 June 2002

Note:
The maintenance and integrity of the Springwood Plc web sites are the responsibility of the directors. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web sites.
Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2001

	Note	Before exceptional items 2001 £000	Exceptional items (note 2) 2001 £000	2001 £000	2000 £000
Turnover	1				
Continuing operations		**21,337**	–	**21,337**	18,264
Acquisitions		**5,286**	–	**5,286**	–
		26,623	–	**26,623**	18,264
Cost of sales		**(5,260)**	–	**(5,260)**	(3,868)
Gross profit		**21,363**	–	**21,363**	14,396
Administrative expenses					
Recurring		**(15,292)**	–	**(15,292)**	(10,615)
Exceptional items	2	–	**(1,925)**	**(1,925)**	(1,599)
		(15,292)	**(1,925)**	**(17,217)**	(12,214)
Operating profit					
Continuing operations		**4,652**	**(2,915)**	**1,737**	3,781
Acquisitions		**1,419**	**990**	**2,409**	(1,599)
		6,071	**(1,925)**	**4,146**	2,182
Loss on sale and proposed sale of fixed assets	2	–	**(3,200)**	**(3,200)**	–
Net interest	3/2	**(1,571)**	**(147)**	**(1,718)**	(991)
Profit/(loss) on ordinary activities before taxation	1	**4,500**	**(5,272)**	**(772)**	1,191
Tax on profit on ordinary activities	5	**(500)**	**350**	**(150)**	(207)
Profit/(loss) for the financial year		**4,000**	**(4,922)**	**(922)**	984
Dividends	7	**(642)**	–	**(642)**	(531)
Retained profit/(loss)	22	**3,358**	**(4,922)**	**(1,564)**	453
(Loss)/earnings per share					
Basic	8			**(4.32)p**	4.63p
Diluted	8			–	4.59p
Earnings per share before exceptional items					
Basic	8	**18.72p**			12.86p
Diluted	8	**18.62p**			12.73p

The statement of principal accounting policies and notes 1 to 31 form an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

At 31 December 2001

	Note	2001 £000	2000 £000
Fixed assets			
Intangible assets	9	**906**	–
Tangible assets	10	**67,182**	36,700
Investments	11	**–**	1,426
		68,088	38,126
Current assets			
Properties held for resale	12	**54**	54
Stock	12	**508**	338
Debtors	13	**1,628**	1,276
Cash at bank		**1,748**	1,091
		3,938	2,759
Creditors: amounts falling due within one year	14	**(14,848)**	(11,846)
Net current liabilities		**(10,910)**	(9,087)
Total assets less current liabilities		**57,178**	29,039
Creditors: amounts falling due after more than one year	15	**(25,447)**	(12,380)
Provisions for liabilities and charges	18	**(16)**	(26)
		31,715	16,633
Capital and reserves			
Called up share capital	20	**2,140**	2,126
Share premium account	22	**7,456**	7,325
Revaluation reserve	22	**16,543**	42
Profit and loss account	22	**5,576**	7,140
Shareholders' funds	23	**31,715**	16,633

Approved by the Board of Directors on 20 June 2002 and signed on its behalf by:

A S Page

Director

The statement of principal accounting policies and notes 1 to 31 form an integral part of these financial statements.

COMPANY BALANCE SHEET

At 31 December 2001

	Note	2001 £000	2000 £000
Fixed assets			
Tangible assets	10	**440**	279
Investments	11	**17,643**	8,001
		18,083	8,280
Current assets			
Properties held for resale	12	**54**	54
Debtors	13	**6,469**	5,816
Cash at bank		**154**	35
		6,677	5,905
Creditors: amounts falling due within one year	14	**(2,776)**	(1,299)
Net current assets		**3,901**	4,606
Total assets less current liabilities		**21,984**	12,886
Creditors: amounts falling due after more than one year	15	**(9,661)**	(36)
Provisions for liabilities and charges	18	**(16)**	(26)
		12,307	12,824
Capital and reserves			
Called up share capital	20	**2,140**	2,126
Share premium account	22	**7,456**	7,325
Revaluation reserve	22	**203**	42
Profit and loss account	22	**2,508**	3,331
Shareholders' funds		**12,307**	12,824

Approved by the Board of Directors on 20 June 2002 and signed on its behalf by:

A S Page

Director

The statement of principal accounting policies and notes 1 to 31 form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2001

	Note	2001 £000	2000 £000
Net cash inflow from operating activities	24a	**5,874**	4,060
Returns on investments and servicing of finance			
Interest paid		**(1,718)**	(991)
Taxation		**–**	(125)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(4,556)**	(8,770)
Sale of tangible fixed assets		**661**	–
Net cash outflow from capital expenditure and financial investment		**(3,895)**	(8,770)
Acquisitions and disposals			
Purchase of subsidiary undertaking	25	**(10,864)**	(2,746)
Net borrowings arising on purchase of subsidiary undertaking		**(15)**	–
Net cash outflow from acquisitions and disposals		**(10,879)**	(2,746)
Equity dividends paid		**(531)**	(425)
Financing			
Bank loans received		**25,000**	10,500
Bank loans repaid		**(14,512)**	(700)
Issue of shares		**145**	12
Net cash inflow from financing		**10,633**	9,812
(Decrease)/increase in cash	24b	**(516)**	815

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 December 2001

	2001 £000	2000 £000
(Loss)/profit for the financial year	**(922)**	984
Surplus on revaluation of properties	**16,501**	–
Total gains and losses recognised since last financial statements	**15,579**	984

There is no difference between the result disclosed in the consolidated profit and loss account and the result on an unmodified historical cost basis.

STATEMENT OF PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention, except that properties are shown at their revalued amounts. The principal accounting policies of the Group have remained unchanged from the previous year other than noted below.

CHANGE IN ACCOUNTING POLICY

In previous years the Group has carried its portfolio of properties within the balance sheet at cost. In view of the growing gap between cost and existing use value, the Group has changed its accounting policy such that its portfolio of properties is now recorded within the balance sheet at existing use value, and the Group will continue to adopt this policy in the future. The valuation exercise has resulted in a net uplift to asset values of £11,195,000, being £16,501,000 valuation above cost (credited to revaluation reserve) less £5,306,000 valuation below cost (charged to the profit and loss account). Details of this valuation are included at note 10 to these financial statements.

The prior year comparative balance sheet (31 December 2000) has not been restated as the information to facilitate such a restatement is not available.

The revaluation was undertaken as at 31 December 2001. Accordingly, the depreciation charges within the profit and loss account for both the years ended 31 December 2001 and 31 December 2000 are calculated by reference to historical cost.

BASIS OF CONSOLIDATION

The Group financial statements consolidate those of the Company and of its subsidiary undertakings drawn up to 31 December 2001. 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

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 estimated useful economic life.

As a matter of accounting policy, purchased goodwill first accounted for in accounting periods ending before 23 December 1998, the implementation date of FRS 10, was eliminated from the financial statements by immediate write-off on acquisition against reserves. Such goodwill will be charged or credited to the profit and loss account on the subsequent disposal of the business to which it relates.

TURNOVER

Turnover represents amounts charged to customers in the ordinary course of business, excluding value added tax.

DEPRECIATION

Depreciation is calculated to write down the cost of all tangible fixed assets, other than freehold land, by annual instalments over their expected useful lives.

Depreciation has been provided on freehold buildings used by the Group in accordance with FRS 15. Residual values are based on prices prevailing at the date of acquisition or subsequent refurbishment. Provision is made in the profit and loss account for any permanent diminution in value.

Assets are generally depreciated using the following rates:

Freehold buildings	:	2% straight line
Leasehold buildings	:	period of lease
Fixtures and fittings	:	Between 10% and 20% straight line
Vehicles	:	25% reducing balance

FIXED ASSET INVESTMENTS

Investments are included at cost less amounts written off.

FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments to manage exposures to fluctuations in interest rates. Discounts or premiums on financial instruments designed to manage such fluctuations are reflected as adjustments to interest payable. Financial assets and liabilities are recognised in the balance sheet at the lower of cost and net realisable value. Provision is made for diminution in value where appropriate. 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.

PROPERTIES HELD FOR RESALE
Properties held for resale are stated at the lower of their carrying value at the date of transfer from fixed assets to current assets or net realisable value.

STOCK
Stock which comprises consumable supplies is stated at the lower of cost and net realisable value.

CAPITALISED INTEREST
Interest on borrowings in respect of new leisure venues undergoing development is capitalised up to the date when the relevant venue is available to commence trading.

DEFERRED TAXATION
Deferred tax is provided using the rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise. Unprovided deferred tax is disclosed as a contingent liability. The Group will adopt FRS19 Deferred Tax when reporting its interim and financial results for 2002.

LEASED ASSETS
Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease. All other 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.

PENSION COSTS

Defined benefit scheme
The pension costs charged against profits are based on actuarial methods and assumptions designed to spread the anticipated pension costs over the service lives of the employees in the scheme, so as to ensure that the regular pension costs represent a substantially level percentage of the current and expected future pensionable payroll. Variations from regular cost are spread over the remaining service lives of current employees in the scheme. Following the issue of FRS17 Retirement Benefits the accounting treatment of pension costs will change in future years. The Group has complied this year with the necessary transitional disclosure requirements.

GRANTS
Grants received in respect of capital expenditure are credited to a deferred income account. Where the terms of the grant permit recovery by the Grant Authority in the event of certain conditions being met, the grant is retained within deferred income until such time as the conditions for repayment no longer apply.

1 TURNOVER AND (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Turnover and operating profit arise wholly within the United Kingdom from the Group's principal activity being the operation of night clubs, venue bars, public houses and restaurants.

(Loss)/profit on ordinary activities before taxation is stated after:

	2001 £000	2000 £000
Amortisation of goodwill	**25**	–
Depreciation:		
Tangible fixed assets	**1,507**	927
Auditors' remuneration:		
Audit services	**41**	24
Non audit services	**64**	45
Operating lease rentals:		
Other	**819**	358

In addition to the auditors' remuneration shown above, the auditors were paid £59,000 in connection with the acquisition of Kingfisher Leisure. The cost of sales and administrative expenses of Kingfisher Leisure included in the 2001 consolidated results before exceptional items were £1,231,000 and £2,636,000 respectively. Exceptional items (note 2) reduce the total administrative expenses attributable to Kingfisher Leisure by £990,000.

2 EXCEPTIONAL ITEMS

The Group's results for the year have been affected by a number of exceptional items, relating to the revaluation of properties, the acquisition of Kingfisher Leisure plc and the closure of Independent Insurance plc. For clarity, these have been disclosed as a separate column within the profit and loss account.

The exceptional items in 2001 can be further analysed as follows:

	£000	£000
Reversal of previous impairment provision against shareholding in Kingfisher Leisure plc	1,599	
Redundancy and reorganisation costs following the acquisition of Kingfisher Leisure plc	(609)	
Acquisitions		990
Insolvency of Independent Insurance	(416)	
Unrealised losses on property valuations below cost in respect of properties to be retained	(2,499)	
Continuing operations		(2,915)
		(1,925)
Losses on property valuations below cost in respect of properties for resale	(2,807)	
Losses on properties sold in the year	(393)	
		(3,200)
Interest on loans to finance initial stake in Kingfisher Leisure plc (to the date of full acquisition)		(147)
		(5,272)
Tax effect of exceptional items noted above		350
Retained loss for the year relating to exceptional items		(4,922)

The tax impact of the exceptional items is low as many of these items (such as property provisions) are non-taxable.

The exceptional charge of £1,599,000 in 2000 related to the establishment of an impairment provision against the shareholding in Kingfisher Leisure plc which has been subsequently reversed in 2001 following the acquisition of that company. In addition there was interest on loans to finance the initial stake in Kingfisher Leisure plc of £216,000.

3 NET INTEREST

	Before exceptional items 2001 £000	Exceptional items (note 2) 2001 £000	2001 £000	2000 £000
On bank overdraft and loans	**1,605**	**147**	**1,752**	1,182
On other loans	**2**	**–**	**2**	2
	1,607	**147**	**1,754**	1,184
Finance costs capitalised in the year	**(36)**	**–**	**(36)**	(193)
	1,571	**147**	**1,718**	991

Capitalised interest is treated for tax purposes as an allowable deduction for corporation tax. The net interest charge for 2000 included £216,000 relating to interest on loans to finance the initial stake in Kingfisher Leisure plc.

4 EMPLOYEES

Staff costs during the year were as follows:

	2001 £000	2000 £000
Wages and salaries	**4,343**	3,853
Social security costs	**254**	229
	4,597	4,082

In-house development wages of £300,000 (2000: £217,000) including related social security costs have been capitalised in respect of capital works within the leisure business. As the Group acts as a main contractor on all development projects (and no architects or quantity surveyors are instructed) certain employees are specifically employed for this work and their costs are capitalised. The average number of employees of the Group during the year was as follows:

	2001 Number	2000 Number
	950	751

The above numbers of employees includes 746 part time employees (2000: 569). Part time employees are defined as those working less than 30 hours per week. Directors' emoluments information and details regarding Directors' remuneration, share options and pensions are given in the Report of the Remuneration Committee on pages 15 and 16.

5 TAXATION

The tax charge is based on the result for the year and represents:

	Before exceptional items 2001 £000	Exceptional items (note 2) 2001 £000	2001 £000	2000 £000
Current year				
Corporation tax at 30% (2000: 30%)	**550**	**(350)**	**200**	218
Adjustments in respect of prior year				
Corporation tax	**(50)**	**–**	**(50)**	(11)
	500	**(350)**	**150**	207

The impact of losses and provisions on property disposals are responsible for producing a loss for the year. These have no impact on the tax charge for the year. The tax charge for the year on the results before exceptional items is at an effective rate of 11.1% (2000: 6.4%). This is low due to the non-provision of deferred taxation, principally due to the continued investment in assets qualifying for capital allowances, and the expectation that realised capital gains will be mitigated in full by future capital expenditure. Had the Group chosen to adopt FRS 19 earlier than is required (see note 19) then an additional deferred tax charge in respect of the current year of £814,000 would have arisen. This would have generated a current year tax charge of 30% on the results before exceptional items (in line with current UK rates of corporation tax).

6 LOSS FOR THE FINANCIAL YEAR

The 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 consolidated loss for the financial year includes a loss of £181,000 (2000 loss: £14,000) which is dealt with in the financial statements of the Company.

7 DIVIDENDS

	2001 *£000*	2000 *£000*
Final proposed ordinary dividend of 3.0p per share (2000: 2.5p)	**642**	531

8 (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the (loss)/earnings attributable 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 basic (loss)/earnings per share, adjusted to allow for the issue of shares and the post tax effect of dividends and/or interest, on the assumed conversion of all dilutive options and other dilutive potential ordinary shares. Reconciliations of the (loss)/earnings and weighted average number of shares used in the basic and diluted calculations are set out below:

	(Loss)/ earnings *£000*	**2001 Weighted average number of shares**	**Per share amount pence**	Earnings *£000*	2000 Weighted average number of shares	Per share amount pence
Basic (loss)/earnings per share	**(922)**	**21,367,225**	**(4.32)**	984	21,260,862	4.63
Dilutive effect of securities						
Options	–	–	–	–	167,918	(0.04)
Diluted earnings per share	**(922)**	**21,367,225**	**(4.32)**	984	21,428,780	4.59

An adjusted earnings per share has also been presented, based on continuing operations and excluding the effects of exceptional items. This basis has been used to enable shareholders to assess the underlying earnings per share performance on a consistent basis.

The adjustments required are as follows:

	(Loss)/ earnings *£000*	**2001 Weighted average number of shares**	**Per share amount pence**	Earnings *£000*	2000 Weighted average number of shares	Per share amount pence
Basic (loss)/earnings per share	**(922)**	**21,367,225**	**(4.32)**	984	21,260,862	4.63
Operating result attributable to exceptional items	**4,922**	**–**	**23.04**	1,750	–	8.23
Adjusted earnings per share	**4,000**	**21,367,225**	**18.72**	2,734	21,260,862	12.86
Dilutive effect of securities						
Options	**–**	**105,050**	**(0.10)**	–	215,964	(0.13)
Diluted adjusted earnings per share	**4,000**	**21,472,275**	**18.62**	2,734	21,476,826	12.73

9 INTANGIBLE FIXED ASSETS

Goodwill	The Group 2001 £000	The Group 2000 £000	The Company 2001 £000	The Company 2000 £000
Cost				
Additions	**931**	–	–	–
At 31 December 2001	**931**	–	–	–
Amortisation				
Charge for the year	**25**	–	–	–
At 31 December 2001	**25**	–	–	–
Net book amount at 31 December 2001	**906**	–	–	–

The additions to goodwill arose on the acquisition of Kingfisher Leisure Plc. Details of this acquisition are given in note 25. The goodwill is being amortised over its useful economic life estimated at 20 years.

10 TANGIBLE FIXED ASSETS

The Group	Freehold land and buildings £000	Leasehold land and buildings £000	Fixtures and fittings £000	Vehicles £000	Total £000
Cost or Valuation					
At 1 January 2001	22,186	7,911	9,101	287	39,485
Additions	1,167	808	2,486	148	4,609
Acquisition of subsidiary undertaking	1,727	14,443	1,023	54	17,247
Surplus on revaluation	5,639	5,001	–	–	10,640
Disposals	(578)	(379)	(134)	(102)	(1,193)
At 31 December 2001	**30,141**	**27,784**	**12,476**	**387**	**70,788**
Depreciation					
At 1 January 2001	95	147	2,430	113	2,785
Charge for the year	123	194	1,117	73	1,507
Revaluation	(214)	(341)	–	–	(555)
Disposals	(4)	–	(58)	(69)	(131)
At 31 December 2001	**–**	**–**	**3,489**	**117**	**3,606**
Net book amount at 31 December 2001	**30,141**	**27,274**	**8,987**	**270**	**67,182**
Net book amount at 31 December 2000	22,091	7,764	6,671	174	36,700

The figures are based on a valuation of freehold land and buildings and leasehold land and buildings by Messrs Christie & Co in June 2001. The directors have reviewed these valuations and increased the valuation of the sites by £1,090,000 to reflect agreed property disposals and trading conditions at 31 December 2001. The basis of the valuation used was an open market value for existing use basis unless the site is currently being marketed, in which case the expected proceeds were used. The valuation in respect of the Zanzibar sites was based on a portfolio approach and included a premium of £5,150,000 attributable to the portfolio rather than individual clubs within that portfolio.

The overall surplus of £11,195,000 has been treated as follows:

	£000
Charged to profit and loss account (note 2)	
Within operating profit	(2,499)
Exceptional items	(2,807)
	(5,306)
Revaluation reserve (note 22)	16,501
	11,195

10 TANGIBLE FIXED ASSETS continued

If the properties had not been revalued, they would have been included on the historical cost basis at the following amounts:

	Freehold land and buildings £000	Leasehold land and buildings £000
Cost	24,460	22,783
Accumulated depreciation	(214)	(341)
	24,246	22,442

Vehicles include assets held under finance lease with a net book value of £60,000.

Included in the historical cost of freehold land and buildings above is capitalised interest on development projects as follows:

	2001 £000	2000 £000
At 1 January	**456**	263
Additions in the year (note 3)	**36**	193
At 31 December	**492**	456

The Company	Freehold land and buildings £000
Cost or Valuation	
At 1 January 2001	279
Surplus on revaluation	161
At 31 December 2001	**440**
Depreciation	
At 31 December 2001 and 31 December 2000	–
Net book amount at 31 December 2001	**440**
Net book amount at 31 December 2000	279

11 FIXED ASSET INVESTMENT

	The Company Subsidiary undertakings £000	The Group Other £000
Cost		
At 1 January 2001	8,031	3,025
Transfer	3,025	(3,025)
Acquisition of Kingfisher Leisure	6,617	–
At 31 December 2001	**17,673**	**–**
Provision		
Provision at 1 January 2001	30	1,599
Released in year	–	(1,599)
Provision at 31 December 2001	**30**	**–**
Net book amount at 31 December 2001	**17,643**	**–**
Net book amount at 31 December 2000	8,001	1,426

Other
Other investments at 31 December 2000 represented the Group's interest in Kingfisher Leisure Plc which was included at its market value at that date. The Group acquired the remaining shares in Kingfisher Leisure Plc (subsequently re-registered as a private company) in 2001 and this company became a subsidiary. Details of the acquisition are given at note 25.

At 31 December 2001 the Company held the entire issued ordinary share capital of the following companies. All are dormant with the exceptions of Springwood Leisure Limited and Kingfisher Leisure Limited which trade as operators of nightclubs, venue bars and public houses.

Springwood Leisure Limited
Kingfisher Leisure Limited (formerly Kingfisher Leisure Plc)
J O Walker (Retail) Limited
Springwood Development Limited
J O Walker (Wood Products) Limited
J O Walker (Eastern) Limited
Nene Saw Mills Limited

At 31 December 2001 Springwood Leisure Limited held the entire ordinary share capital of the following companies. All of these are dormant.

ASP Leisure Limited
Spondon Furniture Centre Limited
Swithland Holdings Limited
Swithland Investments Limited
Woodacres Trading Limited

At 31 December 2001 Kingfisher Leisure Limited held the entire ordinary share capital of Kingfisher Leisure Operations Limited, a dormant company.

The group acquired Victorian Leisure Limited and its wholly owned subsidiary, PTTMS Limited (formerly Deltacloud Limited), in May 2002.

12 PROPERTIES HELD FOR RESALE AND STOCK

	The Group		The Company	
	2001	2000	**2001**	2000
	£000	*£000*	*£000*	*£000*
Properties held for resale	**54**	54	**54**	54

The Group is actively pursuing the disposal of these properties.

	The Group		The Company	
	2001	2000	**2001**	2000
	£000	*£000*	*£000*	*£000*
Stock-consumable supplies	**508**	338	**–**	–

13 DEBTORS

	The Group		The Company	
	2001	2000	**2001**	2000
	£000	*£000*	*£000*	*£000*
Amounts due by subsidiary undertakings	**–**	–	**6,387**	5,725
Other debtors	**61**	61	**82**	91
Prepayments	**1,567**	1,215	**–**	–
	1,628	1,276	**6,469**	5,816

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	The Group		The Company	
	2001	2000	**2001**	2000
	£000	*£000*	*£000*	*£000*
Bank loans and overdraft (note 15)	**8,914**	7,467	**1,375**	–
Finance leases	**10**	–	**–**	–
Trade creditors	**2,792**	1,987	**–**	8
Amounts owed to subsidiary undertakings	**–**	–	**640**	701
Corporation tax	**504**	260	**–**	2
Social security and other taxes	**493**	237	**–**	–
Proposed dividends	**642**	531	**642**	531
Other creditors and accruals	**1,493**	1,364	**119**	57
	14,848	11,846	**2,776**	1,299

Included in other creditors and accruals at 31 December 2001 are amounts of £106,000 representing sums due and unclaimed by former shareholders of Kingfisher Leisure Plc.

15 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	The Group		The Company	
	2001	2000	**2001**	2000
	£000	*£000*	*£000*	*£000*
Bank loans	**25,124**	12,100	**9,625**	–
Finance leases	**43**	–	**–**	–
6% Debentures	**36**	36	**36**	36
Deferred income	**244**	244	**–**	–
	25,447	12,380	**9,661**	36

Bank loans and overdraft

The bank loans and overdraft are secured by a fixed charge over freehold property and by a fixed first charge and floating charge over all the assets of the Group.

15 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR continued

6% Debentures

The 6% Debentures are unsecured and repayable upon the Company giving one year's notice of the intention to repay. It is not the current intention of the Directors to serve such notice.

Deferred income

The deferred income is a grant received in respect of the development of a leisure venue by Springwood Leisure Limited. It may be recovered by the Grant Authority prior to 2004 if the trading performance of the relevant venue exceeds certain predetermined levels.

16 BORROWINGS

Borrowings are repayable as follows:

	The Group		The Company	
	2001 £000	2000 £000	**2001** £000	2000 £000
Within one year				
Bank overdraft	**4,815**	3,642	**–**	–
Bank loans	**4,099**	3,825	**1,375**	–
Finance leases	**10**	–	**–**	–
After one and within two years				
Bank loans	**4,085**	4,825	**1,375**	–
Finance leases	**43**	–	**–**	–
After two and within five years				
Bank loans	**10,632**	7,275	**4,125**	–
After five years				
Bank loans	**10,407**	–	**4,125**	–
6% Debentures	**36**	36	**36**	36
	34,127	19,603	**11,036**	36

17 FINANCIAL INSTRUMENTS

The Group uses financial instruments, comprising borrowings and various items, such as trade creditors, that arise directly from its operations. The main purpose of these financial instruments is to provide finance for the Group's operations.

The Group finances its operations through a mixture of equity share capital, retained profits and bank borrowings. The Group's exposure to interest rate fluctuations on its' borrowings is managed by the use of both fixed and floating facilities, and by various interest rate swap and cap and collar mechanisms.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

All borrowings are deemed to be carried at fair value.

Short term debtors and creditors

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

Interest rate risk

The main risks arising from the Group's financial instruments are interest rate risk and liquidity risk. The Board of Directors reviews and agrees policies for managing each of these risks. The Group's exposure to interest rate fluctuations on its borrowing is managed by the use of both fixed and floating rate facilities. The Group policy is to keep a high proportion of its borrowings with fixed or interest rate bands. These policies have remained unchanged from the previous year. Due to the impact of increased gearing in the Group and the associated risk of interest rate fluctuations on the Group it has been considered appropriate to increase the proportion of borrowings with such arrangements by undertaking the following:

- an interest rate swap on £5,000,000 to fix the effective interest rate at 6.3% until September 2010, with an option for the bank to terminate in September 2005;
- an interest rate swap on £10,000,000 to fix the effective interest rate at 5.25% until January 2012, with an option for the bank to terminate in January 2007;

17 FINANCIAL INSTRUMENTS continued

- an interest rate swap on £10,000,000 to fix the effective interest rate at 5.35% until January 2010, with an option for the bank to terminate in January 2007;
- a cap at 7.5% and collar at 6.15% on a further £5,000,000 of loans until September 2005.
- a cap at 7.5% on £7,000,000 of loans until April 2004.

One loan is held on fixed rate interest terms with amounts outstanding of £3,000,000 at 31 December 2001. As a result of these arrangements 100% of the Group's borrowings are effectively subject to fixed, cap/collar or zero interest rates (2000: 80%).

The interest rate exposure of the financial liabilities of the Group as at 31 December 2001 was:

	Fixed £000	Interest rate Floating £000	Zero £000	Total £000
2001				
Bank overdraft	–	4,815	–	4,815
Bank loans	28,000	1,223	–	29,223
6% Debentures	36	–	–	36
Deferred income: grant	–	–	244	244
	28,036	**6,038**	**244**	**34,318**
2000				
Bank overdraft	–	3,642	–	3,642
Bank loans	10,625	5,300	–	15,925
6% Debentures	36	–	–	36
Deferred income: grant	–	–	244	244
	10,661	8,972	244	19,847

The floating rate liabilities are hedged by £5,000,000 held on the cap/collar arrangement and £7,000,000 on the cap arrangement referred to above.

	Fixed rate financial liabilities Weighted average fixed interest rate %	Weighted average period for which rate is fixed in years
2001		
Bank loans	7.2	4.4
6% Debentures	6.0	–
2000		
Bank loans	7.5	3.7
6% Debentures	6.0	–

The floating rate borrowings bear interest at rates based on the Lloyds TSB Plc bank rate.

The 6% unsecured debentures are repayable upon the Group giving one year's notice of the intention to repay. It is not the current intention of the Directors to serve such notice.

The maturity of the Group's financial liabilities at 31 December 2001 is as shown in note 16. The grant, if it becomes repayable, will only become so in 2004.

Liquidity risk

The Group seeks to manage financial risk, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

Short term flexibility is achieved by the use of overdraft facilities.

Borrowing facilities

The Group has undrawn facilities at 31 December 2001 of £670,000. The overdraft facility is due for formal renewal in June 2002. The bank have confirmed that this facility will be renewed for a further year and that the repayment terms for existing loans will be extended to 10 years from the current period of 8 years.

18 PROVISIONS FOR LIABILITIES AND CHARGES

	The Group		The Company	
	2001 £000	2000 £000	**2001** £000	2000 £000
Provision for national insurance on share options	**16**	26	**16**	26

19 DEFERRED TAXATION

Deferred taxation not provided for in the financial statements is set out below. The amounts unprovided represent contingent liabilities at the balance sheet date and are calculated using a tax rate of 30% (2000: 30%).

	The Group	
	2001 £000	2000 £000
Amount unprovided		
Realised capital gains	**519**	538
Accelerated capital allowances	**2,924**	2,240
	3,443	2,778

No provision has been included above for deferred tax on gains recognised on revaluing the land and buildings. Such tax would become payable only if the relevant property were sold without it being possible to claim rollover relief. The maximum potential amount involved is £4,962,000 (2000: £nil).

The unprovided deferred tax has increased by £665,000 over the period due to the following factors:

	£000
On acquisition of Kingfisher Leisure	(642)
Prior year adjustment arising on agreement of outstanding tax issues	493
Current year charge	814
	665

UK accounting standards only require that FRS 19 Deferred Tax be adopted for accounting periods ending after 23 January 2002 and consequently it has not been adopted in the preparation of these financial statements. The principal effect on these financial statements of adopting FRS 19 would be to reduce the net assets by £3,443,000 and increase the recurring tax charge by £814,000. This would increase the tax charge before exceptional items to £1,314,000.

20 CALLED UP SHARE CAPITAL

	2001 £000	2000 £000
Authorised		
31,568,140 ordinary shares of 10p each	**3,157**	3,157
Allotted, called up and fully paid		
21,401,815 (2000: 21,263,455) ordinary shares of 10p each	**2,140**	2,126

During the year 138,360 shares with a nominal value of £14,000 were issued for a consideration of £145,000.

21 SHARE OPTIONS

Outstanding options have been granted for 10p ordinary shares as follows:

	Number of shares	Subscription price per share	Period of option
Executive (Approved)	44,751	78.2	July 2000 to July 2006
	207,328	141.0	October 2003 to October 2010
	110,380	106.5	October 2004 to October 2011
	362,459		
Executive (Unapproved)	100,000	112.5	May 2002 to May 2009
	136,172	141.0	October 2003 to October 2010
	86,620	106.5	October 2004 to October 2011
	322,792		

The market price of the Company's shares at 31 December 2001 was 156.5p, and the price range during 2001 was 95.0p to 204.5p.

The Executive Share Option Scheme is open to selected employees and full time executive directors of the Company. Other employees may be included at the discretion of the Board or Remuneration Committee. During the year 22,675 options lapsed and 138,360 were exercised.

The Unapproved Executive Share Option Scheme is open to full time Directors of the Company. Other employees may be included at the discretion of the Remuneration Committee.

22 RESERVES

The Group	Share premium account £000	Revaluation reserve £000	Profit and loss account £000
At 1 January 2001	7,325	42	7,140
Premium on allotments during the year	131	–	–
Retained loss for the year	–	–	(1,564)
Surplus on revaluation	–	16,501	–
At 31 December 2001	**7,456**	**16,543**	**5,576**

The cumulative amount of goodwill arising from acquisitions in prior years which has been written off directly to Group reserves is £3,143,000 (2000: £3,143,000).

The Company	Share premium account £000	Revaluation reserve £000	Profit and loss account £000
At 1 January 2001	7,325	42	3,331
Premium on allotments during the year	131	–	–
Surplus on revaluation	–	161	–
Loss for the year	–	–	(181)
Dividends	–	–	(642)
At 31 December 2001	**7,456**	**203**	**2,508**

23 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

The Group	2001 £000	2000 £000
(Loss)/profit for the financial year	**(922)**	984
Dividends	**(642)**	(531)
	(1,564)	453
Surplus on revaluation of assets	**16,501**	–
Issue of shares in the year	**145**	12
Net increase in shareholders' funds	**15,082**	465
Shareholders' funds at 1 January	**16,633**	16,168
Shareholders' funds at 31 December	**31,715**	16,633

24 NOTES TO THE CASH FLOW STATEMENT

a The constituents of the cash flow statement may be further analysed as follows:

Net cash inflow from operating activities

	2001 £000	2000 £000
Operating profit	**4,146**	2,182
Depreciation	**1,507**	927
Amortisation of goodwill	**25**	–
Exceptional items – non cash items:		
– Impairment provision against shareholding in Kingfisher Leisure Plc	**(1,599)**	1,599
– Unrealised losses on property valuations	**2,499**	–
Loss on sale of fixed assets	**8**	–
Decrease in stock	**1**	4
Decrease/(increase) in debtors	**707**	(503)
(Decrease)/increase in creditors	**(1,410)**	(145)
(Decrease) in provisions	**(10)**	(4)
Net cash inflow	**5,874**	4,060

b Reconciliation of net cash flow to movement in net debt

	2001 £000	2000 £000
(Decrease)/increase in cash in the year	**(516)**	815
Cash (inflow) from financing	**(10,488)**	(9,800)
Change in net debt resulting from cash flows	**(11,004)**	(8,985)
Loans acquired with Kingfisher Leisure Plc	**(2,810)**	–
New finance leases	**(53)**	–
Net debt at 1 January	**(18,512)**	(9,527)
Net debt at 31 December	**(32,379)**	(18,512)

c Analysis of changes in net debt

	At 1 January 2001 £000	Cashflow £000	Acquisition £000	Non-cash items £000	At 31 December 2001 £000
Cash at bank and in hand	1,091	657	–	–	**1,748**
Overdraft	(3,642)	(1,173)	–	–	**(4,815)**
	(2,551)	(516)	–	–	**(3,067)**
Finance leases	–	–	–	(53)	**(53)**
Loans and debentures	(15,961)	(10,488)	(2,810)	–	**(29,259)**
	(18,512)	(11,004)	(2,810)	(53)	**(32,379)**

25 ACQUISITIONS

On 8 August 2001 the Group acquired the remaining ordinary shares in Kingfisher Leisure being 73.3% of its nominal share capital for a consideration of £10,970,000 including expenses. This consideration was settled in cash except for £106,000 which remains due to former shareholders of Kingfisher Leisure who have not claimed amounts due to them. Goodwill arising on the acquisition of Kingfisher Leisure has been capitalised. The purchase has been accounted for by the acquisition method of accounting.

The results of Kingfisher Leisure for the period from 1 May 2001, the beginning of the subsidiary's financial year to the date of acquisition, were:

	£000
Turnover	2,962
Operating loss	(394)
Interest payable	(11)
Loss before tax	(405)

The profit after taxation for the 52 weeks ended 29 April 2001 was £623,000.

The assets and liabilities of Kingfisher Leisure Plc acquired were as follows:

	Book value £000	Revaluation £000	Other adjustments £000	Fair value £000
Fixed assets				
Tangible assets	18,108	(861)	–	17,247
Current assets				
Stock	171	–	–	171
Debtors	1,214	–	(155)	1,059
	1,385	–	(155)	1,230
Creditors: amounts falling due within one year	(1,945)	–	(658)	(2,603)
Net current liabilities	(560)	–	(813)	(1,373)
Total assets less current liabilities	17,548	(861)	(813)	15,874
Creditors: amounts falling due after more than one year	(2,810)	–	–	(2,810)
Provisions for liabilities and charges	(291)	–	291	–
Net assets purchased	14,447	(861)	(522)	13,064
Goodwill capitalised (note 9)				931
Consideration				13,995
Satisfied by:				
Cash in the year				10,864
Amounts due to former shareholders of Kingfisher Leisure Plc				106
Acquired in previous years				3,025
				13,995

The fixed assets were revalued by Messrs Christie & Co on 28 June 2001. This led to a reduction in the book value by £861,000. Included in the above table as other adjustments are the following:

	2001 £000
Prepayments written off	**(155)**
Kingfisher Leisure Plc vendor costs of transaction	**(364)**
Provision for onerous contracts	**(294)**
	(813)
Release of deferred tax provision	**291**
	(522)

The provision for onerous contracts relates to leases and sites which the Group has subsequently sold. The fair value figures quoted above are provisional pending final determination within the 2002 financial statements.

25 ACQUISITIONS continued

The subsidiary undertaking acquired during the year made the following contributions to, and utilisation of, Group cash flow

	2001 £000
Net cash inflow from operating activities	**1,975**
Returns on investment and servicing of finance	**(171)**
Capital expenditure and financial investment	**(960)**
Increase in cash	**844**

26 OPERATING LEASE COMMITMENTS

The Group and the Company

Operating lease payments amounting to £1,307,000 (2000: £407,000) for the Group are due within one year. The leases to which these amounts relate expire as follows:

	Land and buildings	
	2001 £000	2000 £000
Within one year	**12**	12
Between one and five years	**–**	–
In five years or more	**1,295**	395
	1,307	407

27 CAPITAL COMMITMENTS

In the normal course of business the Group is continually developing new leisure venues. As the Group acts as its own main contractor, capital expenditure can be suspended at short notice. At 31 December 2001 the Group had outstanding commitments on projects totalling £390,000. In addition the Group has entered into arrangements in respect of a new site at Nottingham which may require the Group to purchase this site for a consideration of £3.2 million. Alternatively the Group may enter into a lease on the site for a period of 25 years at an annual rental of £350,000.

28 CONTINGENT ASSETS/LIABILITIES

There were contingent liabilities at 31 December 2001 and 31 December 2000 in respect of unprovided deferred taxation (see note 19).

The Company has given an unlimited guarantee in respect of the bank borrowings of Springwood Leisure Limited and Kingfisher Leisure Limited. At 31 December 2001 the liability under the guarantee amounted to £21,444,000 (2000: £3,678,000).

29 PENSION SCHEMES

During the year the Group operated a defined benefit scheme for the benefit of employees in the previously owned timber business which was closed to members on 5 April 1996. In 1999 the trustees received legal advice that the scheme was not in wind-up and the decision was taken to re-open the scheme to new members although the required changes to the Scheme Rules have not yet been effected. No new members have been admitted since the scheme was closed.

The assets of the scheme are administered by a trustee in a fund independent of those of the Group. The pension costs were assessed in accordance with the advice of a qualified actuary using a discontinuance method. The assumptions that have the most significant effect on the results of the valuation were:

- The asset was valued as the current value of the insurance policy
- The liabilities were discounted at a rate of interest which is equivalent to an initial rate of interest based on the yield on 15 year government stock at the valuation date and a reinvestment interest rate of 7% per annum
- At retirement pensions were assumed to be provided by purchasing immediate annuities on rates calculated on the basis of interest at the rate described above and the PA(90) mortality table with a two year age reduction

The last actuarial valuation was at 30 June 2000. The market value of the scheme's assets as assessed by the actuary as at 30 June 2000 was £6,000,000. The actuarial value of those assets was sufficient to cover 126% of the benefits that had accrued to members being the estimated cost, as at 30 June 2000, of buying out members' benefit entitlements by non profit deferred annuity insurance policies. There was no pension cost for the year.

29 PENSION SCHEMES continued

In accordance with FRS 17 the actuary has undertaken a review as at 31 December 2001 to provide the necessary transitional disclosure requirements. The main assumptions used by the actuary were:

	2001 %
Rate of increase for pensions in payment	3.0
Inflation	2.6
Discount rate	5.7

The assets in the scheme and the expected long term rate of return were:

	Rate of return %	**2001** *£000*
Total market value of assets (equities)	7.0	**4,531**
Present value of scheme liabilities		**(4,525)**
Net surplus/(liability)		**6**

30 TRANSACTIONS WITH RELATED PARTIES

Rent and other property costs

The Group has made the following payments to A S Page and parties related to him:

	2001 *£000*	2000 *£000*
Rent and other property costs	**10**	10

The level of rent and other property costs has been set by the Non-Executive Directors based on independent professional advice.

31 POST BALANCE SHEET EVENTS

On 28 May 2002 the Group acquired the entire share capital of Victorian Leisure Limited, a company that operates through its wholly owned subsidiary, PTTMS Limited (formerly Deltacloud Limited), a late night entertainment and bar complex comprising a night club, a live music venue and three late night venue bars in Barnsley. The consideration of £3,250,000 was satisfied in cash.

Since 31 December 2001 the Group has sold sites at Anstey, Ashford, Burton, Coventry and Wolverhampton for a combined consideration of £2,241,000.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the ninety-first Annual General Meeting of the members of Springwood Plc will be held at Brewers' Hall, Aldermanbury Square, London, EC2V 7HR on 24 July 2002 at 11.30 am for the following purposes:

Ordinary business

1 To receive the Directors' Report and the Accounts (including the Report of the Auditors) for the financial year ended 31 December 2001.

2 To receive the Report of the Remuneration Committee.

3 To confirm payment of a dividend of 3p per ordinary share.

4 To re-elect J B Wagstaff who retires by rotation in accordance with the Company's present Articles of Association.

5 To re-elect C R Clegg who retires in rotation in accordance with the Company's present Articles of Association.

6 To confirm the appointment of R D Pickard in accordance with the Company's present Articles of Association.

7 To re-appoint Grant Thornton as the auditors of the Company (and authorise the Directors to set the Auditors' remuneration).

8 To transact any other ordinary business.

Special business

To consider and, if thought fit, to pass the following resolution, number 9 as an Ordinary Resolution and number 10 as a Special Resolution:

9 That the Directors be and are hereby generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 to exercise all of the powers of the Company to allot relevant securities (as defined in sub-section (2) of the said Section 80) up to an aggregate nominal amount of £706,259 provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2003 or 15 months after the passing of this resolution (whichever is the earlier) save that the Company may before such expiry make an offer or agreement, which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer agreement as if the authority conferred hereby had not expired.

10 That pursuant to Section 95 of the Companies Act 1985 the Directors be and are hereby empowered to allot equity securities (as defined by Section 94 of the Companies Act 1985) for cash pursuant to the authority conferred by Resolution 9 above as if Section 89(1) of the Companies Act 1985 did not apply to such allotment provided that this power shall be limited:

(a) to the allotment of equity securities in connection with a rights issue in favour of the holders of equity securities in proportion (as nearly as may be reasonably practicable in the circumstances having regard to fractional entitlements or legal or practical problems arising on the laws of or requirements of any regulatory body, stock exchange or similar authority in any territory) to their holdings; and

(b) to the allotment (otherwise than pursuant to sub-paragraph (a) above of equity securities up to an aggregate nominal amount of £107,009.

and shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2003 or 15 months after the passing of this resolution (whichever is the earlier) save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

An explanatory note on the Resolutions numbered 9 and 10 to be dealt with under Special Business is contained within the Report of the Directors.

By order of the Board

M J Marley
Secretary

Registered Office
Swithland Hall
Swithland
Leicestershire
LE12 8TD

20 June 2002

Notes

1. Members entitled to attend and vote at this meeting may appoint one or more proxies on their behalf. A proxy need not be a member of the Company. A form of two-way proxy is enclosed. Proxy forms must be lodged with the office of the Company's registrars at least 48 hours before the time of the meeting.
2. The return of a proxy form duly completed will not preclude a member from attending and voting at the meeting.
3. The following are available for inspection at the registered office of the Company during normal business hours.
   (a) A register of all interests and transactions of each Director and his family in the share capital of the Company.
   (b) Copies of all service contracts of the Directors of the Company.

   Such documents will also be available for inspection at the place of the meeting for at least fifteen minutes prior to and during the meeting.