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Springwood Plc
annual report 2000



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Springwood Plc operates within the leisure sector as an operator of night clubs, venue bars, public houses and restaurants.

Our focus is to develop our Zanzibar night club complexes and provide an exciting experience to our customers. We believe that our potential to grow and offer good prospects for our fellow stakeholders is significant and we will invest wisely on their behalf in our core activities.

Zanzibar Style

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Financial Highlights

For the year ended 31 December 2000

	2000 £000	1999 £000
Turnover	18,264	15,532
EBITDA*	4,926	3,836
Pre tax profit *	3,228	2,731
EBITDA/turnover % *	27.0%	24.7%
EPS *	13.72p	11.93p

*Before exceptional items and the impact of accounting policy revisions

- Continued successful roll out of the Zanzibar concept, culminating in the opening of the flagship operation in Birmingham in November 2000.
- Underlying EBITDA up 28% at **£4.926m**, confirming the trading success of the Zanzibar concept.
- Dividend up 25%, reaffirming progressive dividend policy.
- The Board of Springwood believes it is well placed to capitalise on any future consolidation and rationalisation within the leisure industry.
- Senior management team strengthened by the appointment of three experienced executive directors.

*Before exceptional items and the impact of accounting policy revisions

Springwood continues to consolidate its position as an innovative and successful retailer

Chairman's Statement

We are confident that our strategy of focusing on large high quality venues will continue to reap returns that are ahead of our peers.

Throughout the year Springwood continued to grow and consolidate its position as an innovative and successful retailer in an increasingly competitive sector. We concluded the year with an exceptional trading performance in December, when sales were up 18% on a like for like basis over the 31 day period.

Developments

During the year under review, Springwood continued to roll out and refine the Zanzibar concept. Zanzibars were opened in Stockton, Stafford and Kidderminster before completing our flagship development, the 3,400 capacity Zanzibar in Birmingham in late November. Despite Birmingham opening so late in the season, trading exceeded expectations with the venue being sold out on New Year's Eve. We are currently planning to embark on a further programme of expanding the successful Zanzibar concept during 2001.

The trading results would have exceeded those actually achieved if we had been allowed to complete developments without undue delay caused by securing planning, licensing and regulatory consent.

Financial

Springwood believes in the purchase of freehold sites and established leases, rather than new High Street leases that are bearing down on many retail operators. We continue to pursue this policy which, although capital intensive and generating lower returns on capital, provides improved shareholder value over the longer term.

When assessing our gearing it must be taken into account that our estate is 80% (by value) freehold and the fact that it has not been revalued post development. Another feature of Springwood's business is the low tax charge due to capital allowances generated by the large amount of building development that is undertaken in the normal course of operations.

A further aspect of our business is that 50% of the debt is funding freehold buildings and is being repaid within five years. We are now negotiating to refinance this debt over a more appropriate time scale for property acquisition and this will improve cash flow that can be used to accelerate the development programme.

The financial results show an improvement in all key criteria:

Turnover (£'000)	18,264	up 17.6%
EBITDA * (£'000)	4,926	up 28.4%
Pre tax profit * £'000	3,228	up 18.2%
EBITDA/turnover % *	27.0%	up 9.3%
EPS *	13.72p	up 15.0%

*Before exceptional items and the impact of accounting policy revisions (see note 2).

Kingfisher Leisure

At the year end we continued to hold our investment of 19.7% in Kingfisher Leisure Plc with whom we were in takeover discussions until March 2000. We have written our investment down to the market price as at 31 December 2000 and have taken the interest cost relating to financing the acquisition of the investment as an exceptional cost in the accounts. We continue to monitor the situation with the aim of maximising the value of our investment. A further one million shares in Kingfisher Leisure were purchased in March 2001 at a price of 56.5p per share increasing our holding to 26.75%.

Management

In anticipation of the continued expansion of the business, we are delighted that we have been able to strengthen our management team.

Bill McGregor was appointed Managing Director of Operations and Marketing, having previously been Managing Director of the Nightclubs Division of First Leisure Corporation.

David Stevenson, Finance Director, joined from a similar position held within Allied Domecq Leisure. Prior to this, he was Finance Director at Ansell's.

Nigel Dennett, Operations Director, formerly held Operations Director positions within the licenced retailing division of Allied Domecq.

The appointment of these directors, all with many years of experience in senior roles in the leisure industry, has added considerable stature and expertise to the Group.

Dividend

In line with our declared progressive dividend policy your directors are recommending a dividend of 2.5p (1999: 2.0p) per share payable on 8 June 2001 to shareholders on the Register as at 2 March 2001.

Prospects

We are confident that our strategy of focusing on high quality venues will continue to reap returns that are ahead of most of our peers in 2001, against a trading background that remains competitive. The current year has started positively and our enhanced expectations are being met.

The Board believes it can replicate the Zanzibar concept in the traditionally more prosperous South East. This confidence is based on the concept already proving successful from Stockton in the North East to Newport in South Wales.

We plan on making improvements to our margins through more stringent financial controls, investment in EPOS and increased training for our staff.

We await the proposed reforms to licensing laws with interest and believe the anticipated changes, including the deregulation of licensing hours, will benefit our business.

Our trading policy has been specifically designed to compete successfully under the new regime. This is of particular relevance, as our units are bigger, appeal to a wider cross section of people, offer more variety and are better equipped than those of almost all our competitors.

We look forward to the future with confidence and enthusiasm and would like to thank on your behalf all our dedicated employees for their unstinting hard work during this year of progress for the Group.



Adam S Page

Executive Chairman

29 March 2001

Operations and Finance Review

The 3,400 capacity flagship Zanzibar club in Birmingham having made a positive start continues to trade strongly.

The Group's growth strategy continues to focus on the expansion and development of the successful Zanzibar concept. A further four Zanzibars were opened during 2000, bringing the total number to ten with a combined capacity for 22,000 customers. Zanzibar contributed 75% of total Group turnover in the year.

The Zanzibar format continues to trade successfully in a competitive market place. Total profits from the five established Zanzibars which have traded for between two and five years showed a like for like increase of 12% in 2000 versus 1999. The success of the concept was illustrated at The British Entertainment and Discotheque Association (BEDA) Awards where Derby Zanzibar won The Discotheque of the Year – Midlands Award for 2000. This followed on from Leicester Zanzibar winning the same award in 1999.

Zanzibar represents a new breed of large "super-venue" featuring a large venue bar providing dancing and live entertainment, together with one or more separate nightclub scenes, a restaurant and café-bar. This multi-scene offering competes effectively against both High Street bars and traditional nightclubs within a single complex. The benefits are the broadest customer appeal attracting a wide age range with extended dwell times giving improved asset utilisation and unit economics.

We will continue to develop and evolve the Zanzibar concept to endeavour to keep ahead of the competition. Our latest development in Birmingham retains the proven Zanzibar venue-bar and nightclub, but is supplemented by "Oasis" and "The Polo Club". Oasis provides an innovative and alternative bar and club atmosphere whereas The Polo Club is a quieter, exclusive and relaxing café-bar format. The Birmingham Zanzibar, one of the largest venues in Europe, has traded strongly since opening in line with our high expectations.

Infrastructure and Operational Efficiency

The Group has continued to strengthen its management team to support the ongoing successful expansion of the business. Three new executive directors have been appointed during the year together with the recent recruitment of a Human Resources Manager. These new appointments bring a wide experience of finance, marketing, recruitment, training and operational management gained within the licensed retailing industry.

Improved operational efficiency is a major focus of the management team encompassing purchasing, financial controls, staff training and operational disciplines. This has yielded an improvement in the EBITDA/Turnover margin from 24.7% last year to 27.0% in 2000.

The rollout of StockMaster EPOS across our business will be completed by the end of the first quarter 2001, and this and other ongoing initiatives will deliver further trading margin improvement this year.

Springwood Development Limited

Springwood is unique by acting as its own main contractor for site development. To provide additional focus on this key activity Springwood Development Limited has been set up as a separate operation within the Group. Chris Clegg has been promoted to the position of Managing Director – Development.

Operations and Finance Review continued

The Group continues to focus on the successful Zanzibar brand. A further four clubs were opened during the year. This concept contributed 75% of Group turnover during the year.

An in-house development function provides us with competitive advantage in terms of lower development costs, speed to market, design and innovation.

During the year four major Zanzibar developments have been completed together with smaller refurbishments at three other venues. In line with Company policy, all units are maintained to high standards. Total capital expenditure was £8.8 million. The effectiveness of our development operation was illustrated by the development at Birmingham in which the 50,000 sq ft venue was completed in 14 weeks.

Financial

Pre-tax profits for 2000 were £3.228 million before exceptional items and policy revisions, which represents a year on year increase of 18.2%. Profits are now almost two and a half times 1997 levels.

Pre-tax profits after exceptional items and policy revisions were £1.191 million.

Exceptional items and policy revisions included in the 2000 results were a write-down in our investment in Kingfisher Leisure Plc – £1.599 million; the interest cost relating to the Kingfisher Leisure investment – £0.216 million; the adoption of FRS 15 relating to depreciation of freehold properties – £0.091 million; and the adoption of UITF 24 regarding the treatment of launch costs for new units – £0.131 million.

Total borrowings, including overdraft facilities at 31 December 2000 were £19.603 million, (1999: £10.386 million). The weighted average interest rate at year end was 7.5%. Funds totalling £5.625 million are provided by fixed interest rate loans with an average rate of 7.6%. A further £10 million of funds are protected by a combination of interest rate swaps and collars/caps with exposure to potential interest rate increases restricted to 8.4%.

It is the Group's accounting policy to carry fixed assets in the balance sheet on a historical cost basis. At 31 December 2000 the Group's fixed assets had a net book value of £36.7 million. The directors estimate that the market value of our freehold and leasehold interests exceed book value by approximately £10 million.



29 March 2001

Directors and Advisers

Directors:

A S Page (*Executive Chairman*)
D R Stevenson (*Finance Director*)
W McGregor (*Managing Director - Operations and Marketing*)
C R Clegg (*Managing Director - Developments*)
N A Dennett (*Operations Director*)
A J Hall (*Non-Executive Director*) *
J B Wagstaff (*Non-Executive Director*) *
**Members of Audit and Remuneration Committees*

Secretary:

M J Marley

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Swithland
Leicestershire
LE12 8TD

Registered number:

122634

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Auditors:

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BR3 4TU

Report of the Directors

The Directors present their report together with financial statements for the year ended 31 December 2000.

Principal activities and business review

The Group operates within the leisure sector as an operator of night clubs, venue bars, public houses and restaurants.

A review of the Group's performance for 2000 and its prospects for 2001 are contained in the Chairman's Statement on page 2 and the Review of Operations on page 5.

Results and dividends

The consolidated profit for the year after taxation was £984,000 (1999 : £2,380,000).

The Group's results have been affected by an exceptional item and the impact of accounting policy revisions. The financial statements have been produced in a format to identify the impact of these items which are fully explained in note 2, and summarised below.

	£000
Write down of investment in	
Kingfisher Leisure Plc to market value	(1,599)
Impact of FRS 15	(91)
Impact of UITF 24	(131)
Interest cost of finance to acquire the investment in Kingfisher Leisure Plc	(216)
	<hr/>
Effect on profit on ordinary activities before taxation	(2,037)
	<hr/>
FRS 15 has been adopted for this year resulting in additional depreciation of £91,000 on freehold and long leasehold buildings.	

In previous years the Group has deferred expenditure incurred in the preparation of sites and amortised it over the twelve months following the date of opening of the relevant venue. UITF 24 (introduced during 2000) prohibits such a policy, and accordingly the Group now writes off this expenditure as incurred. As this

represents a change in accounting policy, the 1999 results have been restated accordingly, and the effect on the 2000 results separately identified. The effect of restating the 1999 results has been to increase last year's reported profits by £102,000.

A final dividend of 2.5p is proposed in respect of the year ended 31 December 2000 (1999 : 2.0p) which, if approved by shareholders, will be paid on 8 June 2001 to shareholders registered on 2 March 2001. The cost of dividends will be £531,000, leaving £453,000 to be transferred to reserves.

Directors

The present membership of the Board is set out below, together with (where relevant) their dates of appointment or retirement.

The beneficial and non beneficial interests of the Directors and their families in the shares of the Company at 31 December 2000 and 1 January 2000 were as follows:

	31 December 2000 10p ordinary shares		1 January 2000 10p ordinary shares	
	Beneficial	Non beneficial	Beneficial	Non beneficial
A S Page	8,158,397	50,000	8,158,397	50,000
D R Stevenson (appointed 25 May 2000)	—	—	—	—
W McGregor (appointed 27 November 2000)	2,215	—	—	—
C R Clegg	5,777	—	5,777	—
N A Dennett (appointed 25 May 2000)	—	—	—	—
A J Hall	141,150	—	119,450	—
J B Wagstaff	250,000	—	250,000	—

In the period between 1 January 2001 and 29 March 2001 there were no changes to these holdings.

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

Report of the Directors continued

A J Hall retires by rotation, and being eligible, offers himself for re-election. Messrs Stevenson, Dennett and McGregor were appointed to the Board during the year. In accordance with the Articles of Association, shareholders will be asked to confirm these appointments at the Annual General Meeting.

Brief biographical details of the Company's Directors are given below.

A S Page (Chairman)

A S Page has been responsible for developing substantial leisure companies since the 1960's, including Grosvenor Leisure Ltd and Midsummer Leisure PLC.

C R Clegg (Director)

C R Clegg has been engaged in the nightclub sector of the leisure industry throughout his career. He has 12 years operational experience within Mecca and has worked alongside A S Page in the current business since its inception as a private company in 1990.

N A Dennett (Director)

N A Dennett has 15 years experience in marketing and operational roles in the licensed retailing industry including senior roles within the licensed retailing division of Allied Domecq Plc.

W McGregor (Director)

W McGregor has a long track record in the nightclub industry and was most recently Managing Director of the nightclub division of the First Leisure Corporation.

D R Stevenson, ACMA (Director)

D R Stevenson worked for 17 years in the brewing and retailing divisions of Allied Domecq where he held a number of senior financial positions including Finance Director of Ansells Ltd and Allied Domecq Leisure Ltd.

A J Hall (Non-Executive Director)

A J Hall developed a highly successful family business which was sold to Ferguson Holdings plc of which he was a Director until 1994. Mr Hall is currently a Director of Paragon Labels Limited, Icon Limited and Ridgeview Limited and is actively involved in these interests. He was appointed a Non-Executive Director of the Company in December 1994.

J B Wagstaff (Non-Executive Director)

J B Wagstaff was founder and Chairman of Pressac Holdings plc and its subsidiaries until his retirement in 1990. He is a Director of The British Racing Drivers Club Limited, owners of Silverstone Circuit, which is one of the largest public entertainment, hospitality and media complexes in Europe. He is Chairman of Cheslyn Development Company Limited.

He was appointed a Non-Executive Director of the Company in December 1994.

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 28 to the financial statements.

Substantial shareholders

At 23 March 2001, 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	38.6
Chase Nominees Limited	1,087,931	5.1
Sharelink Nominees Limited	761,448	3.6

Share capital

During the year 5,953 ordinary shares of 10p each were allotted at £2.13 per share. On 15 March 2001 a further 138,361 ordinary shares were issued to satisfy the exercise of share options.

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 page 40 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 £701,694 being approximately 33% of the total ordinary share capital in issue at 23 March 2001 and to issue equity securities (as defined in section 94 of the Act) up to a maximum aggregate nominal amount of £106,317 equivalent to approximately 5% of the existing issued ordinary share capital of the Company in issue as at 23 March 2001 for cash without being

Report of the Directors continued

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 2002 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.

Resolution 10 – The Springwood Plc Executive Share Option Scheme (the “Scheme”) was approved by shareholders on 20 May, 1996 and the Scheme was approved by the Inland Revenue under Schedule 9 to the Income and Corporation Taxes Act 1988 on 1 July, 1996. The Scheme was amended on 29 May, 1997. The Springwood Plc Unapproved Executive Share Option Scheme was approved by shareholders on 20 April 1999. To provide further flexibility the Directors have proposed an amendment that will allow options to be granted in any three year period representing up to 5% of the Company's issued share capital from time to time, subject to the overriding limits of 5% under both of the Company's existing discretionary option schemes and 10% in ten years under all share and share option schemes. Resolution 10 which is being proposed as an Ordinary Resolution seeks the approval of Shareholders to such an amendment, and authorises the Directors to seek the approval of the Inland Revenue.

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 shares were issued under the two 1996 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

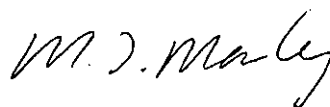
It is the Group's policy to follow the CBI Code of Practice for Buyers in relation to the payment of its suppliers for the forthcoming year. Copies of, and further information on, the CBI Code can be obtained from the CBI, Centre Point, 103 New Oxford Street, London, WC1A 1DV.

Trade creditors for the Company at the year end amount to 34 days of average supplies for the year as calculated under the prescribed method in Statutory Instrument 2000/571. An alternative figure of 32 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

Registered office:
Swithland Hall
Swithland
Leicestershire
LE12 8TD

29 March 2001

Remuneration Report by the Remuneration Committee of the Board of Directors

The Remuneration Committee consists of the Non-Executive Directors, A J Hall 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 from 7 June 2000 and thereafter until the agreement is terminated by not less than twelve months notice (unexpired term : twelve months)
- annual contractual remuneration of £100,000 or such higher amount (currently £115,000) as agreed between A S Page and the Remuneration Committee, plus normal benefits.
- bonus based on designated annual profits (bonus of £14,560 for 2000)

C R Clegg

- a term of one year from 1 April 1999 and thereafter until the agreement is terminated by not less than twelve months notice (unexpired term : twelve months)
- annual contractual remuneration of £45,000 or such higher amount (currently £68,000) as agreed between C R Clegg and the Remuneration Committee, plus normal benefits.
- annual bonus based on achieving designated annual profits (£12,000 in 2000)

D R Stevenson

- a term of one year from 23 March 2001 and thereafter until the agreement is terminated by not less than twelve months notice (unexpired term : 12 months)
- annual contractual remuneration of £66,000 or such higher amount (currently £66,000) as agreed between D R Stevenson and the Remuneration Committee, plus normal benefits
- annual bonus based on achieving designated annual profits (£10,000 in 2000)

N A Dennett

- a term of one year from 23 March 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 N A Dennett and the Remuneration Committee, plus normal benefits
- annual bonus based on achieving designated annual profits (£10,000 in 2000)

W McGregor

- a term of one year from 23 March 2001 and thereafter until the agreement is terminated by not less than twelve months notice (unexpired term : 12 months)
- annual contractual remuneration of £70,000 or such higher amount (currently £70,000) as agreed between W McGregor and the Remuneration Committee, plus normal benefits
- annual bonus based on achieving designated annual profits (£nil in 2000)

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 of A S Page is calculated as 2% of designated annual profits in excess of £2.5 million subject to the overriding principle that the Group's return on capital has increased compared to the previous year. The bonus earned by A S Page in respect of the year ended 31 December 2000 was £14,560 (1999 : £46,136). In addition annual bonuses have been paid to D R Stevenson, C R Clegg and N A Dennett as the Group achieved designated annual profits 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.

Remuneration Report by the Remuneration Committee of the Board of Directors continued

Directors' remuneration

	2000	1999
	£	£
Salaries and benefits in kind	357,098	287,714
Directors' fees	24,000	22,000
	<u>381,098</u>	<u>309,714</u>

The emoluments of the Directors are analysed as follows:

	Salary and fees	Bonuses	Benefits	Total 2000	Total 1999
	£	£	£	£	£
<i>Executive Directors</i>					
A S Page	115,000	14,560	8,947	138,507	127,803
Mrs P A Turner (deceased)	14,500	—	2,111	16,611	77,476
C R Clegg	68,000	12,000	7,181	87,181	82,435
D R Stevenson (appointed 25 May 2000)	38,500	10,000	1,824	50,324	—
N A Dennett (appointed 25 May 2000)	41,767	10,000	5,607	57,374	—
W McGregor (appointed 27 November 2000)	6,611	—	490	7,101	—
<i>Non-Executive Directors</i>					
A J Hall	12,000	—	—	12,000	11,000
J B Wagstaff	12,000	—	—	12,000	11,000
	<u>308,378</u>	<u>46,560</u>	<u>26,160</u>	<u>381,098</u>	<u>309,714</u>

Share options

Full details of share option schemes are given in note 20 to the financial statements.

Details of options granted to Directors under the share option schemes are given below.

	At 1 January 2000	Number of options Granted during the year	At 31 December 2000	Exercise price	Date from which exercisable	Expiry date
	£	£	£			
D R Stevenson						
Executive scheme	—	21,276	21,276	141.0p	October 2003	October 2010
Unapproved scheme	—	28,724	28,724	141.0p	October 2003	October 2010
C R Clegg						
Executive scheme	38,360	—	38,360	78.0p	July 2000	July 2006
Unapproved scheme	100,000	—	100,000	112.5p	May 2002	May 2009
Unapproved scheme	—	70,000	70,000	141.0p	October 2003	October 2010
N A Dennett						
Executive scheme	—	21,276	21,276	141.0p	October 2003	October 2010
Unapproved scheme	—	28,724	28,724	141.0p	October 2003	October 2010

The market price of the Company's shares at 31 December 2000 was 156.5p, and the price range during 2000 was 121.5p to 227.5p.

By order of the Board



J B Wagstaff

Non-Executive Director and Chairman of the Remuneration Committee

29 March 2001

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.
- D.3.1 The Audit Committee consists of only two Non-Executive Directors, the total on the Board.

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 W McGregor and

N A Dennett. In addition D R Stevenson has been appointed to the Board to replace P A Turner, following her untimely death in April 2000.

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.

Two members of the Board are independent Non-Executive Directors and whilst neither one 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.

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 12.

Relationships with shareholders

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

It is currently the Company's practice to hold its Annual General Meeting (AGM) at a city livery company to better enable attendance by City investors. Voting on specific resolutions 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.

Notice of the AGM is transmitted to shareholders more than 20 working days before the meeting.

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 16 and that of the auditors on page 17. A statement on going concern is also on page 16.

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. This process was completed by August 2000 and will be regularly reviewed. 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 controls 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.

Corporate Governance continued

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.
- 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.
- 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 derivatives.

The Board believes that its systems of internal control are 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 2000, its budget for 2001 and plan for 2002.

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.

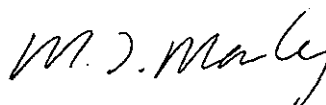
Directors' responsibilities for the financial statements

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

29 March 2001

Report of the Auditors

We have audited the financial statements on pages 18 to 39 which have been prepared under the accounting policies set out on pages 22 to 23.

Respective responsibilities of directors and auditors

The Directors are responsible for preparing the Annual Report. As described on page 16 this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the London Stock Exchange, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for 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 page 14 reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Stock Exchange, 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. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the affairs of the Company and the Group at 31 December 2000 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton
Registered Auditors
Chartered Accountants
Leicester

29 March 2001

Consolidated Profit and Loss Account

for the year ended 31 December 2000

	Notes	Result before exceptional item and policy revisions 2000 £000	Exceptional item and policy revisions (note 2) 2000 £000	2000 £000	1999 (restated) £000
Turnover	1	18,264	–	18,264	15,532
Cost of sales		(3,868)	–	(3,868)	(3,622)
Gross profit		14,396	–	14,396	11,910
Administrative expenses					
Recurring		(10,393)	(222)	(10,615)	(8,584)
Exceptional	2	–	(1,599)	(1,599)	(247)
		(10,393)	(1,821)	(12,214)	(8,831)
Operating profit		4,003	(1,821)	2,182	3,079
Net interest	3/2	(775)	(216)	(991)	(493)
Profit on ordinary activities before taxation	1	3,228	(2,037)	1,191	2,586
Tax on profit on ordinary activities	5	(311)	104	(207)	(206)
Profit for the financial year		2,917	(1,933)	984	2,380
Dividends	7	(531)	–	(531)	(425)
Retained profit	21	2,386	(1,933)	453	1,955
Earnings per share					
Basic	8			4.63p	11.25p
Diluted	8			4.59p	11.19p
Earnings per share before exceptional item and policy revisions					
Basic	8			13.72p	11.93p
Diluted	8			13.61p	11.87p

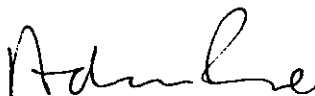
The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated Balance Sheet

at 31 December 2000

	Notes	2000 £000	1999 (restated) £000
Fixed assets			
Tangible assets	9	36,700	28,635
Investments	10	1,426	279
		38,126	28,914
Current assets			
Properties held for resale	11	54	54
Stock	11	338	342
Debtors	12	1,276	773
Cash at bank		1,091	859
		2,759	2,028
Creditors: amounts falling due within one year	13	(11,846)	(8,839)
Net current liabilities		(9,087)	(6,811)
Total assets less current liabilities		29,039	22,103
Creditors: amounts falling due after more than one year	14	(12,380)	(5,905)
Provisions for liabilities and charges	17	(26)	(30)
		16,633	16,168
Capital and reserves			
Called up share capital	19	2,126	2,126
Share premium account	21	7,325	7,313
Revaluation reserve	21	42	42
Profit and loss account	21	7,140	6,687
Shareholders' funds	22	16,633	16,168

Approved by the Board of Directors on 29 March 2001 and signed on its behalf by:



A S Page
Director

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

Company Balance Sheet

at 31 December 2000

	Notes	2000 £000	1999 £000
Fixed assets			
Tangible assets	9	279	–
Investments	10	8,001	8,001
		8,280	8,001
Current assets			
Properties held for resale	11	54	54
Debtors	12	5,816	6,198
Cash at bank		35	32
		5,905	6,284
Creditors: amounts falling due within one year	13	(1,299)	(862)
Net current assets		4,606	5,422
Total assets less current liabilities		12,886	13,423
Creditors: amounts falling due after more than one year	14	(36)	(36)
Provisions for liabilities and charges	17	(26)	(30)
		12,824	13,357
Capital and reserves			
Called up share capital	19	2,126	2,126
Share premium account	21	7,325	7,313
Revaluation reserve	21	42	42
Profit and loss account	21	3,331	3,876
Shareholders' funds		12,824	13,357

Approved by the Board of Directors on 29 March 2001 and signed on its behalf by:



A S Page
Director

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

Consolidated Cash Flow Statement

for the year ended 31 December 2000

	Notes	2000 £000	1999 £000
Net cash inflow from operating activities	23a	4,060	4,926
Returns on investments and servicing of finance			
Interest paid		(991)	(493)
Taxation		(125)	(18)
Capital expenditure and financial investment			
Purchase of fixed asset investments		(2,746)	(279)
Purchase of tangible fixed assets		(8,770)	(9,516)
Sale of tangible fixed assets		—	7
Net cash outflow from capital expenditure and financial investment		(11,516)	(9,788)
Equity dividends paid		(425)	(317)
Financing			
Bank loans received		10,500	4,000
Bank loans repaid		(700)	(500)
Issue of shares		12	87
Net cash inflow from financing		9,812	3,587
Increase/(decrease) in cash	23b	815	(2,103)

Statement of Total Recognised Gains and Losses

for the year ended 31 December 2000

	Notes	2000 £000	1999 (restated) £000
Profit for the financial year	22	453	1,955
Prior year adjustment	21	(106)	
Total gains and losses recognised since last financial statements		347	

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 held for resale are shown at their revalued amounts. The principal accounting policies of the Group have remained unchanged from the previous year except that the Group has complied with UITF 24 in respect of deferred expenditure. In addition the Group is required to comply with FRS 15 this year and has consequently provided depreciation on freehold and long leasehold buildings.

Basis of consolidation

The Group financial statements consolidate those of the Company and of its subsidiary undertakings drawn up to 31 December 2000. 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 value of the identifiable net assets acquired on acquisitions prior to 31 December 1997 has been written off to reserves immediately on acquisition. Such goodwill will be charged or credited to the profit and loss account on any subsequent disposal of the business to which it relates. In future goodwill arising on consolidation will be capitalised and amortised over its expected useful life.

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 and buildings, by annual instalments over their expected useful lives.

Depreciation has been provided on freehold buildings used by the Group in accordance with Financial Reporting Standard 15 ("FRS 15"). The impact of complying with FRS 15 has resulted in a profit and loss charge of £91,000 in 2000 (1999 : £Nil). 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 investment

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 designated 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 is stated at the lower of cost and net realisable value.

Accounting Policies continued

Deferred expenditure

Pre-opening costs incurred in the preparation of sites for use in the business were treated as deferred expenditure in 1999 and included under that heading within debtors. The relevant costs were then amortised over a period of one year. Following the release of Urgent Issues Task Force Abstract 24 ("UITF 24") this year the group has amended its accounting policy to comply with UITF 24. This change of accounting policy has resulted in a prior year adjustment and the comparatives in these financial statements have been restated accordingly. The impact of this change in policy was to increase the profit and loss charge for 2000 by £131,000 and reduce the 1999 charge by £102,000. The cumulative impact on the net assets at 1 January 1999 was a reduction of £208,000.

Capitalised interest

Interest on borrowings in respect of new leisure venues undergoing development is capitalised up to the date when the relevant venue commences 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.

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 represents a substantially level percentage of the current and expected future pensionable payroll.

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 relevant dates have passed.

Notes to the Financial Statements

for the year ended 31 December 2000

1 Turnover and profit on ordinary activities before taxation

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

Profit on ordinary activities before taxation is stated after:

	2000 £000	1999 £000
Depreciation:		
Tangible fixed assets, owned	927	613
Auditors' remuneration:		
Audit services	24	24
Non audit services	45	31
Operating lease rentals:		
Other	358	196
	<hr/>	<hr/>

2 Exceptional item and policy revisions

Exceptional costs in 2000 of £1,599,000 relate to a provision against the cost of investment in the shares of Kingfisher Leisure Plc held by the group (see note 10). Exceptional costs in 1999 of £247,000 related to abortive acquisition costs.

Interest of £216,000 has been incurred by the Group on loans used to finance the investment in Kingfisher Leisure Plc (note 3).

The impact of revised accounting policies on the Group in 2000 is as follows:

	£000
Implementation of FRS 15 to provide depreciation on freehold and long leasehold buildings	91
Revised accounting policy to write off deferred expenditure incurred in the preparation of sites	131
	<hr/>
	222
	<hr/>

The impact on the tax charge of these items is disclosed at note 5.

3 Net interest

	Before exceptional item and policy revisions 2000 £000	Exceptional item and policy revisions (note 2) 2000 £000	2000 £000	1999 £000
On bank overdraft and loans	966	216	1,182	558
On other loans	2	–	2	4
	<hr/>	<hr/>	<hr/>	<hr/>
	968	216	1,184	562
Finance costs capitalised in the year	(193)	–	(193)	(69)
	<hr/>	<hr/>	<hr/>	<hr/>
	775	216	991	493
	<hr/>	<hr/>	<hr/>	<hr/>

Capitalised interest is treated for tax purposes as an allowable deduction for corporation tax.

Notes to the Financial Statements continued

4 Employees

Staff costs during the year were as follows:

	2000 £000	1999 £000
Wages and salaries	4,833	3,928
Social security costs	229	219
	<u>5,062</u>	<u>4,147</u>

In-house development wages of £195,000 (1999 : £139,000) and related social security costs of £22,000 (1999 : £17,000) 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:

2000 Number	1999 Number
<u>751</u>	<u>555</u>

The above numbers of employees includes 569 part time employees (1999 : 389). 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 Remuneration Report on pages 12 to 13.

5 Taxation

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

	Before exceptional item and policy revisions 2000 £000	Exceptional item and policy revisions (note 2) 2000 £000	2000 £000	1999 £000
Current year				
Corporation tax @ 30% (1999 : 31%)	322	(104)	218	169
Adjustments in respect of prior year				
Corporation tax	(11)	-	(11)	37
	<u>311</u>	<u>(104)</u>	<u>207</u>	<u>206</u>

The tax charge for the year represents an effective rate of 17.4% (1999 : 8.0%). This is a high level for the Group due to the effect of the exceptional item and changes in accounting policies. The tax charge for the year on the results before exceptional item and policy revisions is at an effective rate of 9.6% which 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.

Notes to the Financial Statements continued

6 Profit 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 profit for the financial year includes a loss of £14,000 (1999 loss : £151,000) which is dealt with in the financial statements of the Company.

7 Dividends

	2000 £000	1999 £000
Final proposed ordinary dividend of 2.5p per share (1999 : 2.0p)	531	425

8 Earnings per share

The calculation of basic earnings per share is based on the 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 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 earnings and weighted average number of shares used in the basic and diluted calculations are set out below:

	Earnings £000	2000 Weighted average number of shares	Per share amount pence	Earnings £000	1999 Weighted average number of shares	Per share amount pence
Basic earnings per share	984	21,260,862	4.63	2,380	21,162,097	11.25
Dilutive effect of securities Options	—	167,918	(0.04)	—	100,209	(0.06)
Diluted earnings per share	984	21,428,780	4.59	2,380	21,262,306	11.19

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

Notes to the Financial Statements continued

8 Earnings per share (continued)

The adjustments required are as follows:

	Earnings £000	2000 Weighted average number of shares	Per share amount pence	Earnings £000	1999 Weighted average number of shares	Per share amount pence
Basic earnings per share	984	21,260,862	4.63	2,380	21,162,097	11.25
Operating result attributable to exceptional item and the impact of policy revisions (note 2)	1,933	—	9.09	145	—	0.68
Adjusted earnings per share	2,917	21,260,862	13.72	2,525	21,162,097	11.93
Dilutive effect of securities						
Options	—	167,918	(0.11)	—	100,209	(0.06)
Diluted adjusted earnings per share	2,917	21,428,780	13.61	2,525	21,262,306	11.87

9 Tangible fixed assets

The Group	Freehold land and buildings £000	Short leasehold land and buildings £000	Fixtures and fittings £000	Vehicles £000	Total £000
<i>Cost</i>					
At 1 January 2000	19,450	4,619	6,216	212	30,497
Additions	2,736	3,292	2,885	80	8,993
Disposals	—	—	—	(5)	(5)
At 31 December 2000	22,186	7,911	9,101	287	39,485
<i>Depreciation</i>					
At 1 January 2000	4	58	1,724	76	1,862
Charge for the year	91	89	706	41	927
Disposals	—	—	—	(4)	(4)
At 31 December 2000	95	147	2,430	113	2,785
<i>Net book amount at</i>					
31 December 2000	22,091	7,764	6,671	174	36,700
<i>Net book amount at</i>					
31 December 1999	19,446	4,561	4,492	136	28,635

Notes to the Financial Statements continued

9 Tangible fixed assets (continued)

The Company	Freehold land and buildings £000
Cost	
Additions	279
At 31 December 2000	279
Depreciation	
Charge for the year	—
At 31 December 2000	—
Net book amount at 31 December 2000	279

Included in the Group's cost of freehold land and buildings is capitalised interest on development projects as follows:

	2000 £000	1999 £000
At 1 January	263	195
Additions in the year (note 3)	193	68
At 31 December	456	263

10 Fixed asset investments

	The Company Subsidiary undertakings £000	The Group Other £000
Cost		
At 1 January 2000	8,031	279
Additions	—	2,746
At 31 December 2000	8,031	3,025
Provision		
Provision at 1 January 2000	30	—
Provided in the year	—	1,599
Provision at 31 December 2000	30	1,599
Net book amount at 31 December 2000	8,001	1,426
31 December 1999	8,001	279

Notes to the Financial Statements continued

10 Fixed asset investments (continued)

Other

Other investments represent the Group's interest in Kingfisher Leisure Plc.

The market value of this investment was as follows:

	The Group	
	2000	1999
	£000	£000
Listed investment at market value	1,426	286

At 31 December 2000 the Company held the entire issued ordinary share capital of the following companies. All are dormant with the exception of Springwood Leisure Limited which trades as an operator of night clubs, venue bars and public houses.

Springwood Leisure Limited
 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 2000 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

11 Properties held for resale and stock

	The Group		The Company	
	2000	1999	2000	1999
	£000	£000	£000	£000
Properties held for resale	54	54	54	54

	The Group	
	2000	1999
	£000	£000
Consumable supplies and goods for resale	338	342

Notes to the Financial Statements continued

12 Debtors

	The Group		The Company	
	2000	1999 (restated)	2000	1999
	£000	£000	£000	£000
Trade debtors	-	7	-	7
Amounts due by subsidiary undertakings	-	-	5,725	6,057
Other debtors	61	136	91	130
Prepayments	1,215	630	-	4
	<u>1,276</u>	<u>773</u>	<u>5,816</u>	<u>6,198</u>

13 Creditors: amounts falling due within one year

	The Group		The Company	
	2000	1999	2000	1999
	£000	£000	£000	£000
Bank loans and overdraft (note 14)	7,467	4,725	-	-
Trade creditors	1,987	2,410	8	35
Amounts owed to subsidiary undertakings	-	-	701	397
Corporation tax	260	178	2	2
Social security and other taxes	237	272	-	-
Proposed dividends	531	425	531	425
Other creditors and accruals	1,364	829	57	3
	<u>11,846</u>	<u>8,839</u>	<u>1,299</u>	<u>862</u>

14 Creditors: amounts falling due after more than one year

	The Group		The Company	
	2000	1999	2000	1999
	£000	£000	£000	£000
Bank loans	12,100	5,625	-	-
6% Debentures	36	36	36	36
Deferred income	244	244	-	-
	<u>12,380</u>	<u>5,905</u>	<u>36</u>	<u>36</u>

Notes to the Financial Statements continued

14 Creditors: amounts falling due after more than one year (continued)

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.

There are five bank loans, the first of which is for £2,000,000 and is repayable in equal quarterly capital instalments of £83,333 from March 1999 to December 2003. Interest is fixed and payable quarterly at 9.3%. The second is for £1,000,000 and is repayable in equal quarterly capital instalments from October 1999 to July 2004 of £41,667. Interest is fixed and payable quarterly at 9.03%. The third loan for £4,000,000 is repayable in equal quarterly capital instalments of £333,333 from June 2001 to March 2004. Interest is fixed and payable quarterly at 6.97%.

The fourth loan for £6,000,000 is repayable in equal quarterly capital instalments of £375,000 from June 2001 to June 2005. Interest is variable and payable quarterly at base rate plus 1.5%. The fifth loan has a principal value of £6,000,000, of which £4,500,000 has currently been drawn down and is repayable in equal monthly instalments of £100,000 from November 2000 to November 2005. Interest is variable and payable monthly at base rate plus 1.5%. These two loans are subject to an interest rate swap and a cap and collar arrangement which restricts the interest rate variation to lie between fixed limits.

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.

15 Borrowings

Borrowings are repayable as follows:

	The Group		The Company	
	2000 £000	1999 £000	2000 £000	1999 £000
Within one year				
Bank overdraft	3,642	4,225	-	-
Bank loans	3,825	500	-	-
After one and within two years				
Bank loans	4,825	1,833	-	-
After two and within five years				
Bank loans	7,275	3,792	-	-
After five years				
6% debentures	36	36	36	36
	<u>19,603</u>	<u>10,386</u>	<u>36</u>	<u>36</u>

Notes to the Financial Statements continued

16 Financial instruments

The Group uses financial instruments, other than derivatives, 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.

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 borrowings is managed by the use of both fixed and floating facilities. The Group policy is to keep a high proportion of its borrowings with fixed interest or within set 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;
- a cap at 7.5% and collar at 6.15% on a further £5,000,000 of loans until September 2005.

As a result of these arrangements 80% of the Group's borrowings are effectively subject to fixed, cap/collar or zero interest rates (1999 : 60%).

The interest rate exposure of the financial liabilities of the Group as at 31 December 2000 was:

	Interest rate			
	Fixed	Floating	Zero	Total
	£000	£000	£000	£000
2000				
Bank overdraft	-	3,642	-	3,642
Bank loans	10,625	5,300	-	15,925
6% Debentures	36	-	-	36
Deferred income: grant	-	-	244	244
	<u>10,661</u>	<u>8,942</u>	<u>244</u>	<u>19,847</u>
1999				
Bank overdraft	-	4,225	-	4,225
Bank loans	6,125	-	-	6,125
6% Debentures	36	-	-	36
Deferred income: grant	-	-	244	244
	<u>6,161</u>	<u>4,225</u>	<u>244</u>	<u>10,630</u>

The floating rate exposure includes £5,000,000 held under the cap/collar arrangement referred to above.

Notes to the Financial Statements continued

16 Financial instruments (continued)

	Fixed rate financial liabilities	
	Weighted average fixed interest rate %	Weighted average period for which rate is fixed in years
2000		
Bank loans	7.5	3.7
6% debentures	6.0	—
1999		
Bank loans	8.2	3.2
6% debentures	6.0	—

The floating rate borrowings bear interest at rates based on the Lloyds TSB 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 2000 is as shown in note 15. 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 2000 of £858,000. The borrowing facilities are currently being renegotiated to extend repayment terms and provide further funds for new developments.

17 Provisions for liabilities and charges

	The Group		The Company	
	2000 £000	1999 £000	2000 £000	1999 £000
Provision for national insurance on share options	26	30	26	30

Notes to the Financial Statements continued

18 Deferred taxation

Deferred tax not provided 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% (1999 : 30%).

	The Group	
	2000	1999
	£000	£000
Amount unprovided		
Realised capital gains	538	538
Accelerated capital allowances	2,240	1,605
	<u>2,778</u>	<u>2,143</u>

The realised capital gains noted above are in respect of the gains arising on sales of property. The Directors anticipate that the capital gains will be mitigated in full by relevant capital expenditure in the leisure business and accordingly no provision is required.

19 Called up share capital

	2000	1999
	£000	£000
<i>Authorised</i>		
31,568,140 ordinary shares of 10p each	<u>3,157</u>	<u>3,157</u>
<i>Allotted, called up and fully paid</i>		
21,263,455 (1999 : 21,257,502) ordinary shares of 10p each	<u>2,126</u>	<u>2,126</u>

During the year 5,953 shares with a nominal value of £595 were issued for a consideration of £12,688.

20 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)	90,786	78.2p	July 2000 to July 2006
	222,328	141.0p	October 2003 to October 2010
	<u>313,114</u>		
Executive (Unapproved)	200,000	112.5p	May 2002 to May 2009
	136,172	141.0p	October 2003 to October 2010
	<u>336,172</u>		

The market price of the Company's shares at 31 December 2000 was 156.5p, and the price range during 2000 was 121.5p to 227.5p.

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 5,116 options lapsed.

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.

There are no options in issue under the 1996 Employee (Savings Related) Share Option Scheme.

Notes to the Financial Statements continued

21 Reserves

The Group

	Share premium account £000	Revaluation reserve £000	Profit and loss account £000
At 1 January 2000 as previously reported	7,313	42	6,793
Prior year adjustment	—	—	(106)
Restated at 1 January 2000	7,313	42	6,687
Premium on allotments during the year	12	—	—
Retained profit for the year	—	—	453
At 31 December 2000	7,325	42	7,140

The prior year adjustment relates to the cumulative impact to 31 December 1999 of the change in accounting policy in respect of deferred expenditure incurred in the preparation of sites (note 2). It has a cumulative impact on reserves of £106,000 at 1 January 2000 (1999 : £208,000).

The cumulative amount of goodwill arising from acquisitions in prior years which has been written off to Group reserves is £3,143,000 (1999 : £3,143,000).

The Company

	Share premium account £000	Revaluation reserve £000	Profit and loss account £000
At 1 January 2000	7,313	42	3,876
Premium on allotments during the year	12	—	—
Loss for the year	—	—	(14)
Dividends	—	—	(531)
At 31 December 2000	7,325	42	3,331

Notes to the Financial Statements continued

22 Reconciliation of movements in shareholders' funds

	2000	1999 (restated)
The Group	£000	£000
Profit for the financial year	984	2,380
Dividends	(531)	(425)
	<hr/>	<hr/>
Issue of shares in the year	453	1,955
	12	88
	<hr/>	<hr/>
Net increase in shareholders' funds	465	2,043
Prior year adjustment (note 21)	—	(208)
Shareholders' funds at 1 January (as previously reported)	16,168	14,333
	<hr/>	<hr/>
Shareholders' funds at 31 December	16,633	16,168
	<hr/>	<hr/>

23 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

	2000	1999 (restated)
	£000	£000
Operating profit	2,182	3,079
Depreciation	927	613
Exceptional item (note 2)	1,599	—
Loss on sale of fixed assets	—	2
Decrease/(increase) in stock	4	(146)
Increase in debtors	(503)	(159)
(Decrease)/increase in creditors	(145)	1,507
(Decrease)/increase in provisions	(4)	30
	<hr/>	<hr/>
Net cash inflow	4,060	4,926
	<hr/>	<hr/>

Notes to the Financial Statements continued

23 Notes to the cash flow statement (continued)

	2000	1999	
	£000	£000	
b) Reconciliation of net cash flow to movement in net debt			
Increase/(decrease) in cash in the year	815	(2,103)	
Cash inflow from financing	(9,800)	(3,500)	
	<hr/>	<hr/>	
Change in net debt resulting from cash flows	(8,985)	(5,603)	
Net debt at 1 January 2000	(9,527)	(3,924)	
	<hr/>	<hr/>	
Net debt at 31 December 2000	(18,512)	(9,527)	
	<hr/>	<hr/>	
c) Analysis of changes in net debt			
	At		At
	1 January		31 December
	2000	Cash flow	2000
	£000	£000	£000
Cash at bank and in hand	859	232	1,091
Overdraft	(4,225)	583	(3,642)
	<hr/>	<hr/>	<hr/>
	(3,366)	815	(2,551)
Debt	(6,161)	(9,800)	(15,961)
	<hr/>	<hr/>	<hr/>
	(9,527)	(8,985)	(18,512)

24 Operating lease commitments

The Group and the Company

Operating lease payments amounting to £407,000 (1999 : £374,000) for the Group are due within one year. The leases to which these amounts relate expire as follows:

The Group

	Land and buildings	
	2000 £000	1999 £000
Within one year	12	10
Between one and five years	—	—
In five years or more	395	364
	407	374

Notes to the Financial Statements continued

25 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 and therefore the Group has no material capital commitments.

26 Contingent liabilities

There were contingent liabilities at 31 December 2000 and 31 December 1999 in respect of unprovided deferred taxation (see note 18).

The Company has given an unlimited guarantee in respect of the bank borrowings of Springwood Leisure Limited. At 31 December 2000 the liability under the guarantee amounted to £3,678,000 (1999 : £4,225,000).

27 Pension schemes

During the year the Group operated a defined benefit scheme for the benefit of former employees. In 1999 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.

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 the aggregate funding method. The assumptions that have the most significant effect on the results of the valuation were:

- The asset taken at Market Value
- The liabilities were discounted at a rate of 7 per cent per annum
- At retirement pensions were valued at a rate of interest of 7 per cent per annum, allowing for pension increases at the rate of 3 per cent per annum
- The mortality assumed for pensioners was that in The Actuarial Tables PMA 92/PFA 92 projected to the year 2000

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 128% of the benefit that had accrued to members on a discontinuance basis.

Notes to the Financial Statements continued

28 Transactions with related parties

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

	2000 £000	1999 £000
Rent and other property costs	<u>10</u>	<u>9</u>

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

29 Post balance sheet events

Since 31 December 2000 the Group has acquired a further interest in Kingfisher Leisure Plc at a cost of £565,000. After this acquisition the Group holds 26.75% of the issued share capital of Kingfisher Leisure Plc.

Notice of Annual General Meeting

Notice is hereby given that the **ninetieth Annual General Meeting** of the members of Springwood Plc will be held at Brewers' Hall, Aldermanbury Square, London, EC2V 7HR on 24 April 2001 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 2000.
- 2 To receive the Report of the Remuneration Committee.
- 3 To confirm payment of a dividend of 2.5p per ordinary share.
- 4 To re-elect A J Hall who retires by rotation in accordance with the Company's present Articles of Association.
- 5 To appoint Messrs Dennett, McGregor and Stevenson in accordance with the Company's present Articles of Association.
- 6 To re-appoint Grant Thornton as the auditors of the Company (and authorise the Directors to set the Auditors' remuneration).
- 7 To transact any other ordinary business.

Special business

To consider and, if thought fit, to pass the following resolutions, numbers 8 and 10 as Ordinary Resolutions and number 9 as a Special Resolution:

- 8 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 £701,694 provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2002 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.
- 9 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 8 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 £106,317.

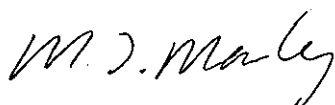
and shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2002 or 15 months after the passing of this resolution (whichever is the earlier) save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Director may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired:

Notice of Annual General Meeting continued

- 10 That the Rules of the 1996 Springwood Plc Executive Share Option Scheme and the Springwood Plc Unapproved Executive Share Option Scheme (the "Schemes") be and are hereby amended such that the reference to "3%" in Rule 3.4 of the Schemes be deleted and replaced with "5%", and the Directors of the Company be authorised to do all acts and things necessary to implement and carry into effect the amendments to the Schemes, including obtaining the approval of such amendments from the Commissioners of the Inland Revenue pursuant to the Income and Corporation Taxes Act 1988 and that each Director be counted in the quorum and be authorised to vote as a Director on any such matter save in respect of his own individual rights of participation in the Schemes notwithstanding that he may be interested in the same.

An explanatory note on the Ordinary Resolutions Numbered 8 and 10 and the Special Resolution numbered 9 to be dealt with under Special Business is contained with the Report of the Directors.

By order of the Board



M J Marley
Secretary

Registered Office
Swithland Hall
Swithland
Leicestershire
LE12 8TD

29 March 2001

Notes

1. Members entitled to attend and vote at this meeting may appoint one or more proxies to attend and vote 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.