

Preliminary Results Presentation

For the year ended 25 February 2010

Introduction

Alan Jackson

Chairman

Introduction

- ☾ Very difficult trading conditions
- ☾ Disappointing results
- ☾ Now looking forward
- ☾ New CEO
- ☾ Still best in class in large market with real opportunities

Financial Review

Robert McDonald

Finance Director

Introduction

- ☾ Profits in line with market expectations, but lower than originally planned
 - ☾ Sales shortfall in second half driven by admissions
- ☾ Non cash exceptional items
 - ☾ Asset and goodwill impairment
 - ☾ Provisions against previous investments
- ☾ Significant debt reduction through cash management
 - ☾ Operational cost savings and capex restraint
 - ☾ Cash generation
 - ☾ Retention of proceeds from equity issue
 - ☾ Covenant headroom

Profit Summary

- ☺ Profits impacted by 10% fall in sales
- ☺ High depreciation charge from previous investments
- ☺ Interest costs falling but trapped by hedging
- ☺ Tax credit due to historic provision adjustment
- ☺ Exceptional costs primarily non-cash impairment of assets and goodwill – detail in appendix

	2010 £m	2009 £m	Change £m
Continuing operations before exceptional items			
Sales	173.1	193.2	(20.1)
EBITDA	34.3	51.3	(17.0)
Depreciation, Amortisation	(22.7)	(22.7)	-
Interest	(7.2)	(8.3)	1.1
PBT	4.4	20.3	(15.9)
Tax	0.7	(4.5)	5.2
Profit after tax	5.1	15.8	(10.7)
Discontinued operations and exceptional items post tax	(128.2)	(37.3)	(90.9)
Statutory result	(123.1)	(21.5)	(101.6)

Sales Analysis

- ☺ Estate largely unchanged
 - ☺ No major investment
- ☺ Significant reduction in admissions
 - ☺ Friday, Saturday admissions down 13.7%
 - ☺ Midweek admissions down 4.5%
- ☺ Sales per customer remaining strong
 - ☺ Average prices held
 - ☺ Gross margins improved

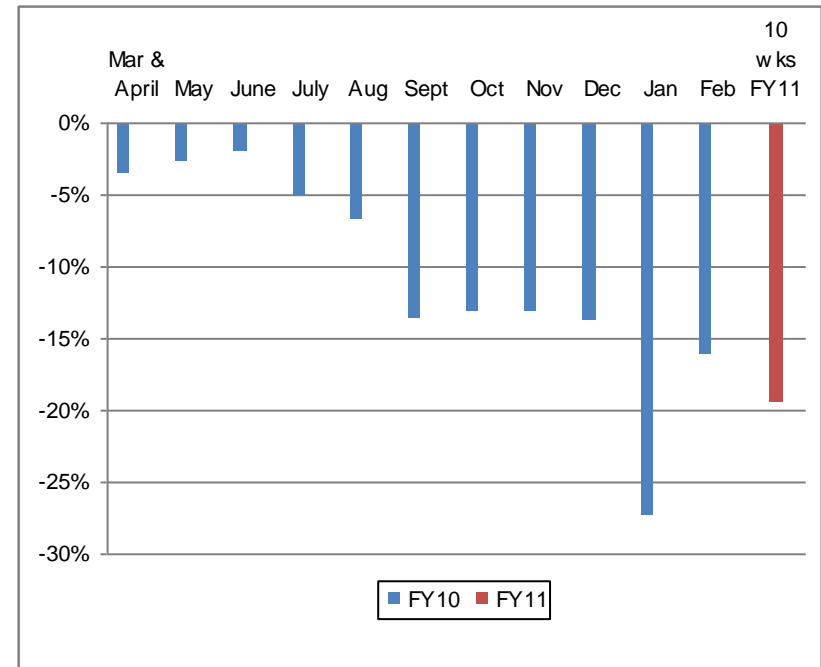
Average Prices (inc VAT)	2010	2009
Entry	£3.85	£3.90
Measured drink	£2.15	£2.20

Continuing Operations	2010	2009	Change
Clubs	87	89	(2)
Customer Admissions	13.9m	15.7m	(11.5%)
Sales income:	£m	£m	
Admissions	46.4	52.2	(11.1%)
Drinks	115.9	130.4	(11.1%)
Other	10.8	10.6	1.9%
Total Sales	173.1	193.2	(10.4%)
Admission sales per head	£3.34	£3.32	£0.02
Drink sales per head	£8.35	£8.30	£0.05
Total sales per head	£12.46	£12.29	£0.17
Drink gross margin	75.5%	75.1%	0.4%
Total gross margin	82.6%	82.3%	0.3%

Sales Trend

- ☺ Sales trend changed significantly in second half of year
- ☺ Same outlet sales decline 9.9%
 - ☺ First half decline 3.8%
 - ☺ Second half decline 15.4%
- ☺ Trend continued into early weeks of new year
- ☺ Close correlation with admission numbers

Same Outlet Sales Decline



85 venues classed as same outlets in FY10, 82 venues in FY11

Operational Profits

- ☺ Gross profits reduced by lower admissions
- ☺ Operational cost control has remained tight
- ☺ Significant controllable operational cost savings of £6m
 - ☺ masked by less controllable increases
- ☺ Further cost savings of £10m planned in current year
 - ☺ £7m in operational costs
 - ☺ £3m in central costs
- ☺ EBITDA implies profit conversion of 20%

Continuing Operations	2010 £m	2009 £m	Change £m
Gross Profit:			
Admissions	46.4	52.2	(5.8)
Drinks	87.5	97.9	(10.4)
Other	9.0	9.0	-
total gross profit	142.9	159.1	(16.2)
Club costs:			
Remuneration	(48.7)	(52.9)	4.2
Entertainment, marketing	(5.1)	(6.7)	1.6
Energy/utilities	(5.5)	(4.6)	(0.9)
Rent, Rates	(23.0)	(21.9)	(1.1)
Asset finance	(3.1)	-	(3.1)
Other	(12.0)	(12.2)	0.2
total club costs	(97.4)	(98.3)	0.9
Central costs	(12.3)	(12.3)	-
Central recoveries	1.1	2.8	(1.7)
EBITDA	34.3	51.3	(17.0)

Cash Generation and Debt Reduction

- ☺ Operating cash generation
- ☺ Lower capital investment
- ☺ Equity cash retained to reduce net borrowings
- ☺ Net borrowings reduced by 35% in year

	2010 £m	2009 £m
EBITDA	34.3	51.3
Finance costs (net)	(8.1)	(10.0)
Tax received/(paid)	2.2	-
Exceptional, discontinued	(6.5)	(8.0)
Working capital	(4.5)	(1.2)
Cash generation	17.4	32.1
Capital investments	(4.2)	(38.1)
Sale of assets	0.5	13.6
Operating Cash inflow	13.7	7.6
Equity cash raised / dividend paid	35.7	(11.8)
Reduction in net bank borrowings	49.4	(4.2)

Balance Sheet

- ☺ Asset values reduced through impairment and depreciation
- ☺ Full provision taken against investment in 3D Entertainment
- ☺ Current liabilities include tax creditor of £42.8m (2009: £42.7m) relating to years from 2004 which remain in discussion with HMRC
 - ☺ Small release of provision arising from greater certainty of 2005 year
- ☺ Borrowings retained at £140m to maximise income and make full use of hedging facility

	25 Feb 2010 £m	26 Feb 2009 £m
Property, plant, equipment, other	228.8	312.8
Goodwill and other intangibles	133.4	175.0
3D Entertainment investment	-	26.3
Net current liabilities <small>(exc cash, 3DE)</small>	(51.2)	(56.6)
Borrowings	(139.9)	(169.7)
Cash and deposits	47.3	27.9
Net borrowings	(92.6)	(141.8)
Other non current liabilities	(38.6)	(48.4)
Net assets	179.8	267.3

Luminar Bank Facility

- ☾ 5 year syndicated loan facility with three UK banks, expires August 2012
 - ☾ Principal value £175m, plus £5m overdraft facility
 - ☾ Libor plus margin of up to 75bps
 - ☾ Separate arrangement hedges £140m debt to fix LIBOR at 5.2% effective rate
 - ☾ Loan facility subject to two key financial covenants (see Appendix for calculation)
 - ☾ Net debt to EBITDA to be below 3.0x. Currently 2.6x, headroom £15.2m debt
 - ☾ Fixed charge cover to be above 1.5x. Currently 1.9x, headroom £13.2m EBITDA
- ☾ Actively monitoring covenant levels and managing costs and expenditure accordingly
- ☾ Working closely with banks to ensure support is available if needed

Finance Summary

- ☞ Results reflect a challenging year
- ☞ Sales are difficult
 - ☞ Costs and expenditure are being managed
 - ☞ Debt is being reduced
- ☞ Simplified business focus

Business and Strategy Review

Simon Douglas

Chief Executive

Luminar Reappraisal

☺ Strengths

- ☺ Venues: large, good quality, geographic spread, safe, well-regulated
- ☺ People: dedicated, hard working, well trained, experienced
- ☺ Market: large c170m paying customers, c£1.7bn sales (source: Mintel)
- ☺ Financial: good assets, strong margins, good cost controls

☺ Biggest issues

- ☺ Market very competitive and currently weak
- ☺ Staying relevant to our customers

☺ Opportunities

- ☺ Doing what we do but so much better
- ☺ Going deeper, or broader into our core market
- ☺ Leveraging our strengths

Immediate Priorities

- ☞ Improving performance, delivering results
- ☞ Developing a factual understanding of the market
 - ☞ Better understand our customers
- ☞ Establish strategic directions
 - ☞ Develop a joined up operations, marketing and e-commerce strategy
- ☞ Long term strategy detail will follow

Improving Performance

☺ Operational focus

☺ Restoring admissions

- ☺ Utilise retail skills – service, range, people, merchandising, best practice
- ☺ Liberating and incentivising our managers
- ☺ Delivering on key events

☺ Maintaining margins

☺ Growing ancillary revenue streams

☺ Cost control and reduction

- ☺ Central costs reduction and tight control of venue costs
- ☺ Driving efficiency culture

☺ Removing loss-makers and distractions

- ☺ Exit weaker or low potential clubs
- ☺ Removing legacy distractions - focus on running nightclubs

☺ Sharpen our head office infrastructure

- ☺ Simple processes fit for purpose – removing any barriers that stop us performing

Building Strategy on Fact

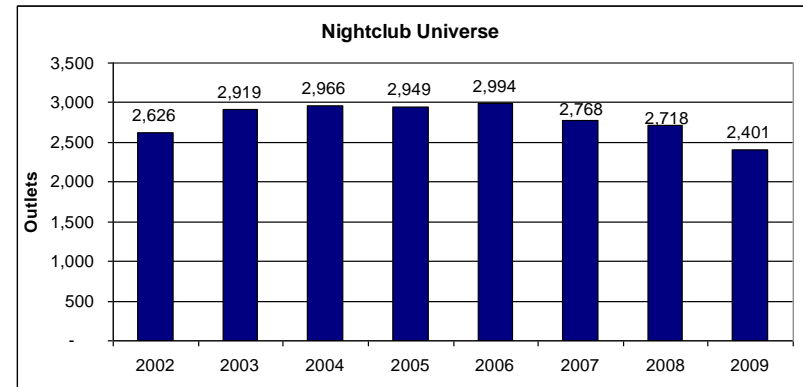
- CGA research suggests number of nightclubs has reduced by 13% in 2009

- Still favourite venues amongst core customer group

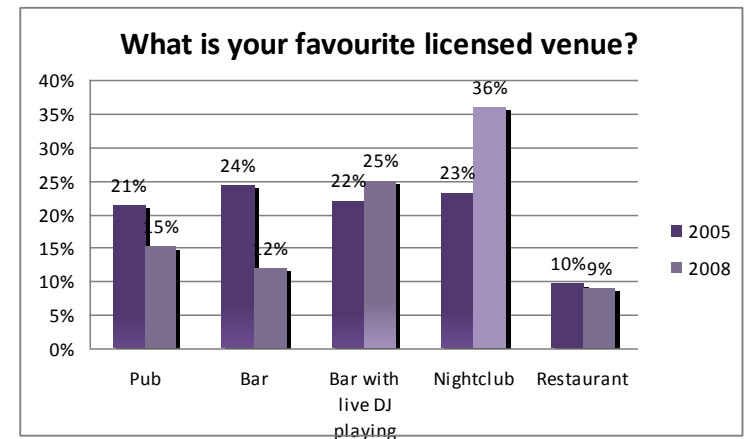
- Mintel market research

- Music is key – especially live
- Importance of chill out bars
- Pricing is important
 - Customers prepared to pay more for the right products
- Must be fashionable, innovative
- Social media, online is very important

- We need to adapt and keep moving



Source: CGA/M&C Report



Source: CGA/M&C Report

Key Strategic Directions

- ☞ Building from strength, improving what we do
- ☞ Key areas:
 - ☞ Operational template
 - ☞ Marketing including e-commerce
 - ☞ Infrastructure and people that drive value
 - ☞ Property to entertain in
- ☞ With complementary financial framework

Operations and Marketing

- ☺ Improving the product – earning a premium
 - ☺ Music is key driver – DJ's, sessions, diversity, live
 - ☺ Event retailing – freshers, Halloween, Christmas, New Years Eve, bank holidays
 - ☺ Drinks range – wider range, premium brands
 - ☺ Customer service – service culture, up-selling, standards
 - ☺ Customer experience – removing barriers, theatre, fun, excitement
- ☺ Engaging our people – making the difference
 - ☺ Harness positivity, teamwork, sales culture
 - ☺ Entrepreneurial flair within a framework
 - ☺ Making the most of local talent
 - ☺ Employee opinion survey
- ☺ Capturing trends, fashions, ideas
- ☺ Developing our brands and products
- ☺ Developing associations with like minded brands
- ☺ Building effective e-commerce

Infrastructure and Property

- ☺ Adding genuine value to nightclub operations
 - ☺ Strong leadership and decision making
 - ☺ Fact and information to widen perspective and spread best practice
 - ☺ Purchasing and procurement
 - ☺ Recruitment, training and appropriate management
 - ☺ Simple effective systems, controls and processes
 - ☺ Lean and efficient

- ☺ Improving our property estate
 - ☺ Location is key - rationalise and churn estate over time
 - ☺ Improve deals with landlords
 - ☺ Many properties over-rented
 - ☺ Need shorter term, more flexible deals
 - ☺ Smaller, smarter, more customer focused investments
 - ☺ More durable fabrics and materials
 - ☺ Acquisition and developments over time
 - ☺ Managing our space to 'sweat' our assets

Current Activity

- ☾ Exit from underperforming clubs and property
 - ☾ Three clubs returned to landlords, one sold
 - ☾ Five further disposals expected in next 3 months
 - ☾ Other surplus non-trading property being marketed
- ☾ Further underlying operating cost reduction planned in current year of £10m
 - ☾ Full review and tightening of all in-club expenditure
 - ☾ Central costs reduced by £3m (25%)
- ☾ Team being refocused and strengthened
- ☾ Simplifying and removing distraction

Summary

- ☾ Market conditions continue to be challenging
 - ☾ Current trading remains weak
 - ☾ Focused on improving results
- ☾ Underlying business has strengths to build on
 - ☾ Many opportunities to improve
 - ☾ Increasing clarity of directions
- ☾ Need to adapt
 - ☾ Simplify
 - ☾ Build from fact and methodology
 - ☾ Modernise and focus on customers
- ☾ Work in progress

Appendices

Exceptional Items

	2010	2009		2010	2009
Continuing Operations	£m	£m	Discontinued Operations	£m	£m
Impairment of specific assets	(65.7)	(7.9)	Impairment of assets	(0.3)	(1.5)
Impairment of goodwill	(41.1)	(0.7)	Impairment of investment in 3DE	(27.3)	(24.1)
Reorganisation costs	(1.5)	(0.6)	Reorganisation costs	-	(0.7)
3DE, Eminence receivables	(1.5)	-	Onerous lease provisions (net)	0.3	(0.5)
Onerous lease provisions (net)	(3.5)	(0.3)	Profit on disposals	0.3	0.7
Aborted project costs	(0.7)	-	Loss on disposal of companies	0.5	(3.2)
Memorabilia stock provision	(0.6)	-	Tax on exceptional items	3.0	0.6
Legal settlement	-	(0.3)			
Tax on exceptional items	10.3	1.4			
Total	(104.3)	(8.4)	Total	(23.5)	(28.7)

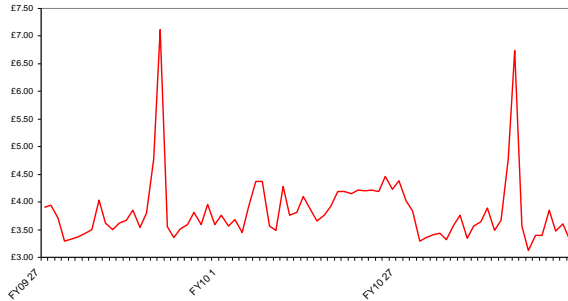
Loan Facility Financial Covenant Tests

EBITDA : Net Borrowings	£m
Net borrowings (net of unamortised issue costs)	92.6
3DE guarantee	-
Net borrowings	92.6
EBITDA (total operations)	33.7
Add 3DE interest receivable	1.8
Add other minor adjustments	0.6
Adjusted EBITDA	36.1
Ratio	2.6x
Covenant test	<3.0x
EBITDA Headroom (£m pa)	5.2
Debt Headroom (£m)	15.7

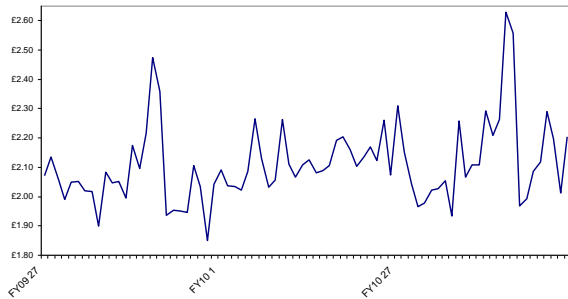
Fixed charge cover	£m
Adjusted EBITDA	36.1
Rent, rates	21.0
EBITDARR	57.1
Rent, rates (inc exceptional charges)	21.6
Interest (exc 3DE & unrealised gain on derivatives)	9.1
Fixed charges (loan definition)	30.7
Ratio	1.9x
Covenant test	>1.5x
EBITDA Headroom (£m pa)	13.2

Information

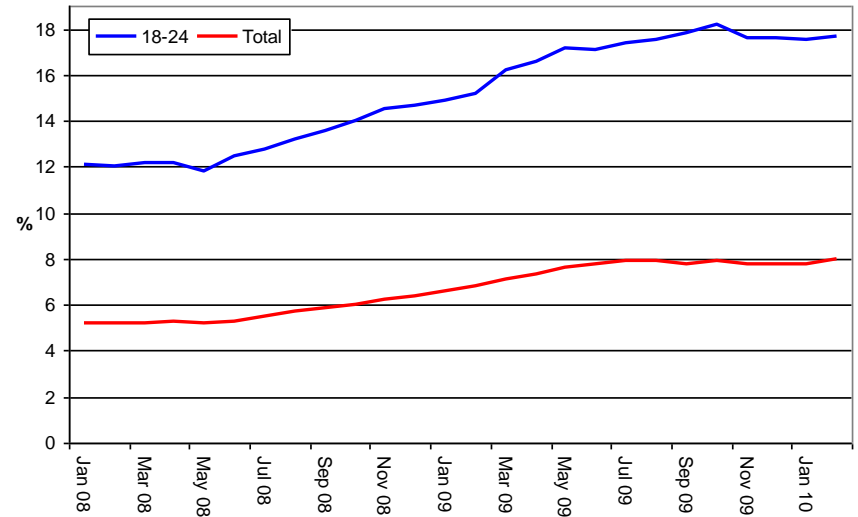
Average admission price over 18 months (inc vat)



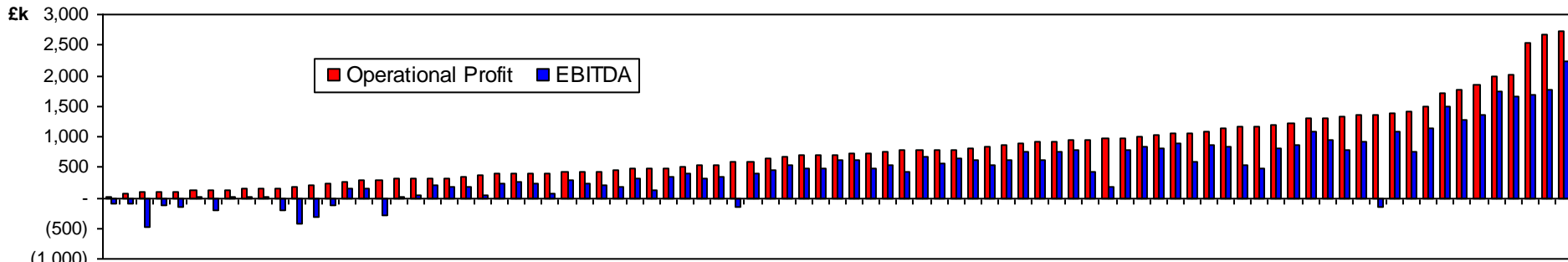
Average retail drink price over 18 months (inc vat)



Unemployment in Core Market



Venue Profitability



Note: Operational Profit is defined as EBITDA less rent, rates and insurance