

Luminar Group Holdings plc

("Luminar" or "the Group")

Condensed consolidated financial information for the year ended 25 February 2010

Luminar Group Holdings plc ("Luminar" or "the Group") is the leading operator of nightclubs in the UK, with 87 clubs as at 25 February 2010 trading predominately under the brands of Oceana and Liquid.

Key Points:

- Profit before tax of £4.4m (2009: £20.3m) from continuing operations before exceptional items, in line with market expectations
 - Exceptional costs totalling £127.8m, primarily non-cash impairment of specific assets and goodwill
 - Statutory loss after discontinued operations, exceptional items (primarily non-cash) and tax of £123.1m (2009: £21.5m)
- Sales 9.9% below last year on a same outlet basis across 85 clubs
 - 15.4% decline in second half of the year resulting from lower customer admissions
 - Average sales per customer of £12.46 (2009: £12.29)
- Significant cost reduction programme
 - Controllable operating costs reduced by £6m during the year
 - Capital investment reduced to £4.2m (2009: £38.1m)
- Cash generation and equity issue has significantly reduced net borrowing by 35% to £92.6m
 - Continuing to trade within debt covenant tests
- Sales for first 10 weeks of current year 19.4% below prior year on a same outlet basis
- New CEO appointed 8 March 2010
 - Reappraisal of strategy and focus on key actions
 - Four clubs sold or closed
 - £10m of further cost savings planned for current year

Simon Douglas, Chief Executive, said:

"Luminar has a very good estate and dedicated people. Whilst our marketplace remains challenging, we believe there is a substantial opportunity to leverage Luminar's many strengths. By focusing on the operational basics and embracing more modern marketing methods, we will engage and entertain our customers and ensure our offer remains relevant. We are confident that this more focused strategy, well executed, will restore value to our shareholders over time."

13 May 2010

Enquiries:

Luminar Group Holdings plc

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Overview

Luminar is the leading operator of late night venues in the UK, with high quality trading clubs including the Oceana and Liquid brands.

The market for late night entertainment has continued to be exceptionally challenging, especially since last September, and has caused our second half results to be below our original expectations. There are many contributing factors to the market weakness, including the general economic climate, youth unemployment, a highly competitive environment and the severe winter weather. In the light of these circumstances we have initiated a significant cost reduction programme and commenced a strategic review of our business, the key points of which are described below.

Our financial results for the year ended 25 February 2010 reflected this market weakness, and were dominated by lower sales, which were caused by a lower number of customer admissions. Once inside our clubs, it was encouraging to see that sales per customer changed very little from the prior year, and that we were able to maintain reasonable prices and margins.

In the circumstances, it has been necessary to impair certain asset values and to fully provide against our investment in 3D Entertainment Group Ltd ("3DE"), which caused a large exceptional charge for the year. 3DE, in which Luminar holds a 49% investment, was placed in administration on 26 February 2010 and is an example of how the recession has impacted our industry.

Trading since the year end has continued to be weak. In direct response to this we have continued to reduce our costs and to exit certain properties that are loss-making or where prospects are low. At the same time we are repositioning and strengthening areas of our business for the future.

We continue to lead our market, our asset base is strong, and we see good potential for recovery. The appointment of Simon Douglas as CEO on the 8 March 2010 has brought a fresh vision and perspective to the business. Whilst recovery may take some time to deliver fully, there is a good base from which to grow and a renewed focus that we feel confident will bring significant improvement over time.

Operational Business Review

As at 25 February 2010, Luminar operated 87 late night venues in 76 towns and cities, the largest estate of its kind in the UK. We traded 13 larger nightclubs under the Oceana brand, and 34 under the Liquid brand, with all of our clubs retaining an identity that reflects their local community. Our customers are predominantly in the 18-24 year age group, including many students, and some 63% of our drink sales are made after midnight. Our primary income streams are the sale of drinks (67%) and admission charges on entry (27%).

The late night entertainment market has contracted in the tight economy but continues to be highly competitive, leading to a high level of promotional discounting and often a low quality environment being offered by our competitors. Luminar's operational strategy has been to provide a better customer experience at reasonable prices, and to focus on providing strong entertainment content and reasons to visit. Mainstream dancing sessions on Fridays and Saturdays are supplemented by differentiated speciality sessions in midweek, reaching out to wider markets.

During the year ended 25 February 2010 we operated 20,096 sessions and attracted 13.9m people to our venues. On a slightly smaller estate, overall admission numbers reduced by 11.5% in the year, with the majority of the shortfall occurring on weekend nights, which were 13.7% lower. Notwithstanding this the overall sales per customer remained strong at £12.46, 17p above last years level. The average retail selling price per measured drink (including VAT) was £2.15 across the year, slightly lower than £2.20 in the prior year, with broadly steady levels of consumption. Gross margins were 82.6%, slightly ahead of last year.

Overall sales in the continuing business totalled £173.1m in the year, a reduction of 10.4% on the prior year, or 9.9% on a same outlet basis across 85 venues which traded in both years. This included a significant deterioration in trading from September. For the first half of the year same outlet sales fell by 3.8%, but a sudden deterioration in September followed by severe winter weather caused second half sales to be 15.4% below the same period in the prior year.

The pattern of the slowdown in sales was consistent across the country, and affected all regions and types of venue. Whilst timing coincided with a new student academic year, the impact was most badly felt at weekends and therefore appeared to be more a reflection of the general economic conditions and nationwide recession, and in particular youth unemployment.

In view of the unexpected pressure on sales, the Group curtailed investment plans in the second half of the year, ultimately restricting capital expenditure to £4.2m in the year. In addition much tighter cost control was exerted in operational costs, leading to a controllable cost reduction of £6.0m across the year.

The results for the year do not do justice to the hard work and dedication shown by our staff, sometimes in very difficult circumstances and late into the night. We would like to thank them for their efforts.

Current Trading and Outlook

Current trading has continued to be difficult, as the market weakness has not yet subsided and we see no improvement in customer sentiment. Same outlet sales for the first 10 weeks of the new financial year to 6 May 2010 were 19.4% below the same period for last year. The outlook for our customers continues to be uncertain, youth unemployment remains at historically high levels, and spending levels may be constrained for some time to come.

We are undertaking many focused initiatives to address this situation.

Significant cost reduction is underway, and is expected to reduce our costs by some £10m in the current financial year on top of the savings made in the past year. In particular, an initiative to reduce our central costs by £3m (25%) has already been completed, and costs are being tightened throughout the business.

We have also begun to address our underperforming and marginal sites. Since the year end, four sites have been sold or returned to their landlords, removing a profit drain and distraction on the business. A further five properties are likely to be exited in the next three months.

In addition we have now appointed a new Marketing Director, with skills and experience in the music and retailing industry. We have also moved to improve our drinks range, to refocus our incentives, and to improve our customer service.

These actions will improve our performance, and over time will contribute to recovery.

Strategic Review

The recent changes in our market, the appointment of Simon Douglas as CEO, and the reduction in profitability call for a reappraisal of the Group's strategy. This will take some months to complete fully, particularly in the circumstances where our immediate priority is being given to improving trading results.

Initial views have been formed however, and some clear strategic directions have emerged which are compatible with short term priorities.

It is clear that Luminar has many strengths. We operate in a large, cash-rich market, our assets are predominately modern and well invested, and we have some talented and very experienced people. Our product is well established and will stand the test of time.

Our biggest external challenge however, is that our market has become severely affected by the recession and some structural change has increased competition significantly. Our biggest internal challenge is to ensure that our venues continue to be fashionable, relevant and appealing to our core market.

The key opportunities lie in being better at what we do, in leveraging our strengths, and in going deeper or broader into our core market. These are strategic directions that are equally appropriate for the short term focus.

There are four key areas where we will concentrate our efforts.

- Firstly, we will improve our operational template. We will improve our product, critically our music, our drinks range, and our customer service standards. We will engage our staff more, and encourage entrepreneurial talents and local flair to lead the local markets.
- We will improve our marketing skills to make sure our clubs are fashionable and relevant for our customers. We will enhance our brands, our key activities, and develop associations with other brands that young people aspire towards. Of vital importance will be the development of our online capability.
- We will develop our central head office infrastructure to add genuine value to the nightclub operations. It must provide support that really makes a difference, and be leaner, more effective, and simple.
- We will improve the use of our assets, rationalising our estate over time, and extending into new and more prosperous areas. We will improve relationships with landlords and develop properties more simply and cost effectively, with modern materials.

We will approach these tasks by making use of the best information available, seeking to build on fact rather than intuition and developing a professional rigorous methodology.

Underlying this activity is the need to improve our financial model, to ensure we have adequate and appropriate funding that enables the business to prosper. As part of this, we must improve our cost base, and our efficiency.

These are strategic directions that we will expand on at a later date. But they are also guiding actions now as we seek to improve performance.

Directorate

The Group has separately announced today that Robert McDonald has decided to stand down as Finance Director and leave the Group to pursue other interests. The Board would like to extend its thanks to Robert for the significant contribution that he has made during his time in the business.

The Board is pleased to announce Philip Bowcock as his successor, with effect from the 1st June 2010. Philip will work with Robert until the end of June when Robert leaves the Group.

Philip has a strong commercial background in large multi-site businesses. He joins Luminar from Barratt Developments plc where from August 2007 he has been Group Financial Controller. Prior to this, he held senior finance roles at Tesco and Hilton Group.

The Board was also pleased to announce on 6 May 2010 the appointment of John Leach as Non Executive Director.

Financial Review

Presentation of financial results is focused on the continuing business, which includes all our current trading operations and principally only excludes our investment in 3DE and the residue of the major disposal to Cavendish Bars in February 2008, the last part of which completed in May 2009.

Earnings before interest, tax, depreciation and amortisation ("EBITDA") from continuing operations before exceptional items totalled £34.3m in the year ended 25 February 2010, £17m (or 33%) below the previous year due principally to lower admissions to our clubs. Depreciation and amortisation of £22.7m was level (2009: £22.7m) as the investment programme reduced significantly. Net interest costs reduced to £7.2m (2009: £8.3m) due to lower debt levels and interest rates, and despite LIBOR on £140m of debt being hedged to fixed rate. Net interest costs increased from the mid point of the financial year as we provided against potential non-receipt of interest on the 3DE loan note, effectively increasing our net interest costs in the second half by £0.9m.

Profit before tax from continuing operations before exceptional items was £4.4m (2009: £20.3m) and a taxation credit of £0.7m (2009: £4.5m charge) gave rise to profit for the year from continuing operations before exceptional items of £5.1m (2009: £15.8m). Earnings per share from continuing operations before exceptional costs were 6.2p (2009: 25.9p). Statutory loss from continuing operations after exceptional items was £99.2m (2009: £7.4m profit), giving rise to earnings per share of 120.4p loss (2009: 12.2p income).

Exceptional items within continuing operations totalled a net cost of £104.3m after tax for the year ended 25 February 2010 (2009: £8.4m). This charge followed a review of balance sheet values, triggered by lower profits, and the majority related to impairment of specific asset values and goodwill. The major exceptional items contributing to this charge are described in note 7 to the accounts. The impairment review has also impacted the accounts of the parent company, reducing distributable reserves to £28.4m.

Discontinued operations contributed a post tax loss of £0.4m plus exceptional costs of £23.5m. The main element of the exceptional cost was a full provision of £27.3m taken against our outstanding investment and receivables from 3DE, which went into administration on 26 February 2010. It is too early to say what recovery, if any, will be achievable on this debt. However, the contingent liability previously carried to cover a loan guarantee provided to 3DE is now considered unnecessary.

The Group continues to be cash generative, with a net cash inflow after exceptional items and investing activities of £13.7m for the year (2009: £7.6m). Control and reduction of expenditure has been strong during the year, with capital expenditure lowered to £4.2m (2009: £38.1m) in response to the general economic climate.

In August 2009 the Group completed a successful equity raise of £35.7m (net of costs). The primary purpose of raising the cash was to expand the estate through acquisition and development. However, in view of the sudden market deterioration in September, the proceeds of the equity raising have been retained to reduce net borrowings.

Net borrowings have now reduced to £92.6m, a reduction of £49.2m (or 35%) in the year. Gross borrowings have been lowered by £30m to £140m, in line with our hedge arrangements, as it is more economic to hold a high cash balance than to reduce borrowings under the loan facility. We have a single syndicated loan facility, which runs to August 2012 with a maximum drawdown of £175m and interest costs of up to LIBOR plus 0.75%. We continue to trade within covenants tests, with an adjusted net debt to EBITDA ratio of 2.6x for the year ended 25 February 2010 compared with a covenant maximum of 3.0x. In view of current trading levels we continue to actively monitor our covenants and work together with our lenders to ensure adequate funding resources.

Our balance sheet includes a current tax liability of £42.8m (2009: £42.7m) in respect of amounts potentially due to HMRC for tax years since 2004 which remain under discussion. During the year we received a payment of £2.2m in respect of financial year 2004, increasing the net tax creditor. Recent discussions have increased the certainty of outcome for financial year 2005, and we have reduced our provision accordingly by £2.1m. No additional provision was required for financial year 2010.

In view of current trading the Group continues to conserve cash and does not recommend a dividend payment at the current time.

Principal Risks and Uncertainties

The principal risk facing the Group is that of continued or worsening economic uncertainty, particularly as it may affect young people. Whilst there is some evidence at national level that conditions are improving, recovery remains fragile and there is less evidence that it has yet had any positive affect on our core market.

Should the spending propensity of young people reduce further, there is a risk that the Group's sales and profitability could worsen to the extent that we are no longer able to meet the requirements placed upon us by our current lenders. The Board have considered this carefully.

As described above, the Group benefits from a syndicated loan facility of £175m which extends until August 2012 and against which net borrowings are currently £92.6m. The facility is subject to financial covenants, the most significant of which requires net borrowings not to exceed three times the value of adjusted EBITDA. At 25 February 2010 this covenant test ratio was 2.6x, providing adequate headroom within the facility.

The Group's budgeted cash flow projections anticipate sufficient cash generation to retain and increase covenant headroom over the course of the forthcoming year. However, recent trading has fallen below budgeted levels and the market continues to be volatile.

If these volatile conditions continue, the Directors have examined available mitigating action through further cost reduction or retail price management but recognise there is the potential for headroom on the facility to be eroded. In these circumstances, it is likely that the Group would need to renegotiate the terms of the facility and that this will have an impact on the cost of borrowing. The Directors have considered the action the syndicate banks may take in such a scenario and, having taken external advice on the matter, concluded that it is highly likely that the banks will agree to renegotiate the facilities.

On this basis, having examined evidence and made appropriate enquiries, the Directors are satisfied that adequate financial resources are available to the Group within circumstances that can be reasonably foreseen.

Forward Looking Statements

Certain statements in this consolidated financial information for the year ended 25 February 2010 are forward-looking. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements.

The Group undertakes no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

Consolidated Income Statement
for the year ended 25 February 2010

	Note	Year ended 25 February 2010			Year ended 26 February 2009		
		Pre-exceptional items £m	Exceptional items (note 7) £m	Total £m	Pre-exceptional items £m	Exceptional items (note 7) £m	Total £m
Continuing operations							
Revenue	1,2	173.1	-	173.1	193.2	-	193.2
Cost of sales		(30.2)	-	(30.2)	(34.1)	-	(34.1)
Gross profit		142.9	-	142.9	159.1	-	159.1
Administrative expenses		(131.3)	(114.6)	(245.9)	(130.5)	(9.8)	(140.3)
Profit / (loss) from operations	1,2	11.6	(114.6)	(103.0)	28.6	(9.8)	18.8
Finance income	3	1.1	-	1.1	1.8	-	1.8
Finance costs	3	(8.3)	-	(8.3)	(10.1)	-	(10.1)
Profit / (loss) before taxation		4.4	(114.6)	(110.2)	20.3	(9.8)	10.5
Tax on profit / (loss)	4	0.7	10.3	11.0	(4.5)	1.4	(3.1)
Profit / (loss) for the year from continuing operations attributable to equity shareholders		5.1	(104.3)	(99.2)	15.8	(8.4)	7.4
(Loss) from discontinued operations*		(0.4)	(23.5)	(23.9)	(0.2)	(28.7)	(28.9)
Profit / (loss) for the year attributable to equity shareholders		4.7	(127.8)	(123.1)	15.6	(37.1)	(21.5)
Earnings per share from continuing operations	6						
Basic				(120.4)			12.2p
Diluted				(120.4)			12.2p
Earnings per share from continuing and discontinued operations	6						
Basic				(149.4)			(35.3p)
Diluted				(149.4)			(35.3p)

* The (loss) from discontinued operations is stated post tax.

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

Consolidated Statement of Comprehensive Income
For the year ended 25 February 2010

	25 February 2010 £m	26 February 2009 £m
Loss for the year	(123.1)	(21.5)
Other comprehensive income		
Cash flow hedges (net of tax)	(0.5)	(7.6)
Other comprehensive Income from the period, net of tax	(0.5)	(7.6)
Total Comprehensive Income for the year attributable to equity shareholders	(123.6)	(29.1)

Consolidated Balance Sheet
at 25 February 2010

	Note	25 February 2010 £m	26 February 2009 £m
Non-current assets			
Goodwill		130.8	171.9
Other intangible assets		2.6	3.1
Property, plant and equipment		226.9	308.9
Other non-current assets		1.9	3.9
Trade and other receivables		-	22.7
		362.2	510.5
Current assets			
Inventories		1.5	2.1
Trade and other receivables		5.6	7.4
Cash and cash equivalents		37.3	27.9
Cash deposits		10.0	-
		54.4	37.4
Assets classified as held for sale	8	2.1	2.4
Investment in associate held for sale		-	3.6
Total current assets held for sale		2.1	6.0
		56.5	43.4
Current liabilities			
Trade and other payables		(14.1)	(17.8)
Current tax liabilities		(42.8)	(42.7)
Deferred income		(0.5)	(0.5)
Provisions		(2.3)	(1.5)
		(59.7)	(62.5)
Liabilities classified as held for sale	8	(0.7)	(6.0)
		(60.4)	(68.5)
Net current liabilities			
		(3.9)	(25.1)
Total assets less current liabilities			
		358.3	485.4
Non-current liabilities			
Borrowings and loans		(139.9)	(169.7)
Derivative financial instruments		(13.8)	(13.2)
Deferred income		(6.1)	(6.3)
Obligations under finance leases		(7.9)	(7.9)
Provisions		(2.9)	(0.7)
Deferred tax liabilities		(7.9)	(20.3)
		(178.5)	(218.1)
Net assets			
		179.8	267.3
Capital and reserves			
Share capital		131.8	121.9
Share premium		25.8	-
Capital redemption reserve		42.1	42.1
Equity reserve		1.7	1.2
Retained earnings		(21.6)	102.1
Shareholders' equity			
		179.8	267.3

The financial statements were approved by the Board of Directors on 12 May 2010.

Robert McDonald
Finance Director

Consolidated Cash Flow Statement
for the year ended 25 February 2010

	Note	Year ended 25 February 2010 £m	Year ended 26 February 2009 £m
Cash flows from operating activities			
Net cash inflow from operations	9	23.3	42.1
Finance costs paid		(8.2)	(10.1)
Tax received		2.2	-
		17.3	32.0
Cash flows from investing activities			
Purchase of property, plant and equipment		(3.9)	(36.8)
Purchase of intangible assets		(0.3)	(1.3)
Net proceeds from sale of property, plant and equipment (including motor vehicles)		0.5	13.8
Acquisition of business units		-	(0.2)
Finance income received		0.1	0.1
		(3.6)	(24.4)
Cash flows from financing activities			
Repayment of long-term borrowings		(30.0)	-
Drawdown of new facility (post-issue costs)			25.0
Monies placed on deposit		(10.0)	-
Net proceeds from issue of shares		35.7	-
Dividends paid		-	(11.8)
		(4.3)	13.2
Net increase in cash and cash equivalents			
		9.4	20.8
Cash and cash equivalents at beginning of year		27.9	7.1
Cash and cash equivalents at end of year			
		37.3	27.9

Net Debt Statement

for the year ended 25 February 2010

The movement in net debt in the year was analysed as follows:

	Year ended 25 February 2010 £m	Year ended 26 February 2009 £m
Increase in cash in the year	(9.4)	(20.8)
Non-cash changes – movement in finance lease liabilities	-	-
Cash inflow from increases in debt (post-issue costs)	-	25.0
Cash outflow from monies being placed on deposit	(10.0)	-
Cash outflow from repayment of debt	(30.0)	-
Movement in net debt in the year	(49.4)	4.2
Opening net debt	150.0	145.8
Closing net debt	100.6	150.0

Consolidated Statement of Changes in Shareholders' Equity
for the year ended 25 February 2010

	Share capital	Share premium	Capital redemption reserve	Equity reserve	Retained earnings	Total
	£m	£m	£m	£m	£m	£m
Brought forward at 29 February 2008	134.2	-	29.8	1.2	142.7	307.9
Total comprehensive income for the year	-	-	-	-	(29.1)	(29.1)
Share-based payment charge	-	-	-	0.3	-	0.3
Issue of shares out of Luminar plc						
Employee trust	-	-	-	(0.3)	0.3	-
Dividends paid (note 5)	-	-	-	-	(11.8)	(11.8)
Cancellation of deferred shares	(12.3)	-	12.3	-	-	-
Carried forward at 26 February 2009	121.9	-	42.1	1.2	102.1	267.3
Brought forward at 27 February 2009	121.9	-	42.1	1.2	102.1	267.3
Total comprehensive income for the year	-	-	-	-	(123.6)	(123.6)
Share-based payment charge	-	-	-	0.5	-	0.5
Issue of shares	9.9	25.8	-	-	-	35.7
Purchase of shares through Employee Benefit Trust	-	-	-	-	(0.1)	(0.1)
Carried forward at 25 February 2010	131.8	25.8	42.1	1.7	(21.6)	179.8

Notes to the Consolidated Financial Statements

for the year ended 25 February 2010

1 Basis of preparation

This consolidated financial information does not constitute the Company's statutory accounts for the years ended 25 February 2010 or 26 February 2009 but is derived from those accounts. Statutory accounts for 2009 have been delivered to the registrar of companies, and those for 2010 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 237 (2) or (3) of the Companies Act 1985 in respect of the accounts for 2009 nor a statement under section 498 (2) or (3) of the Companies Act 2006 in respect of the accounts for 2010.

This consolidated financial information for the year ended 25 February 2010 has been prepared, except as described below, in accordance with the accounting policies adopted in the annual financial statements for the year ended 26 February 2009, as described in those annual financial statements which have been prepared in accordance with IFRSs as adopted by the European Union.

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 27 February 2009.

Revised IAS 1, *Presentation of financial statements*, effective for annual periods beginning on or after 1 January 2009. This standard changes the presentation of items of income and expenses in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. The standard also introduces additional requirements for entities that are making restatements or reclassifications of comparative information. This only affects the disclosure of items within the Group financial statements.

IFRS 7, *Financial instruments: Disclosures* – Increases the disclosure requirements about fair value measurement and reinforces existing principles for disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosure and requires some specific quantitative disclosures for financial instruments in the lowest level in the hierarchy. In addition, the amendment clarifies and enhances existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. This only affects the disclosure of items within the Group financial statements.

Revised IAS 23, *Borrowing costs*, effective for annual periods beginning on or after 1 January 2009. This standard requires an entity to capitalise borrowing costs directly attributable to the acquisition construction or production of a qualifying asset as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed. This has had no impact on the Group as these borrowing costs are already being capitalised.

Amendment to IFRS 2, *Share-based payment*, effective for annual periods beginning on or after 1 January 2009. This standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only, and that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. Adoption of this standard has had no impact on the Group's accounting for the existing share option schemes.

Amendment to IAS 32, *Financial instruments: Presentation*, effective for annual periods beginning on or after 1 January 2009. This standard requires entities to classify certain types of financial instruments as equity, provided they have particular features and meet specific conditions. Adoption of this standard has had no impact on the Group.

Notes to the Consolidated Financial Statements

for the year ended 25 February 2010

1 Basis of preparation (continued)

IFRIC 13, *Customer loyalty programmes relating to IAS 18, Revenue*, effective for annual periods beginning on or after 1 January 2008. This standard deals with the required accounting for customer loyalty programmes where goods or services are sold together with a customer loyalty incentive. Adoption of this standard has not had a material impact on the Group.

As a result of the deferred shares being redeemed and cancelled in July 2008, issued share capital and capital redemption reserve comparatives have been represented in this consolidated financial information for the year ended 25 February 2010.

The Group benefits from a syndicated loan facility of £175m which extends until August 2012 and against which net borrowings are currently £92.6m. The facility is subject to financial covenants, the most significant of which requires net borrowings not to exceed three times the value of adjusted EBITDA. At 25 February 2010 this covenant test ratio was 2.6x, providing adequate headroom within the facility.

The Group's budgeted cash flow projections anticipate sufficient cash generation to retain and increase covenant headroom over the course of the forthcoming year. However, recent trading has fallen below budgeted levels and the market continues to be volatile.

If these volatile conditions continue, the Directors have examined available mitigating action through further cost reduction or retail price management but recognise there is the potential for headroom on the facility to be eroded. In these circumstances, it is likely that the Group would need to renegotiate the terms of the facility and that this will have an impact on the cost of borrowing. The Directors have considered the action the syndicate banks may take in such a scenario and, having taken external advice on the matter, concluded that it is highly likely that the banks will agree to renegotiate the facilities.

On this basis, having examined evidence and made appropriate enquiries, the Directors are satisfied that adequate financial resources are available to the Group within circumstances that can be reasonably foreseen.

For this reason, the Directors continue to adopt the going concern basis in preparing the Group's and the Company's financial statements.

2 Segmental reporting

For the year ended 26 February 2009, the Group early adopted IFRS 8 'Operating segments'. IFRS 8 replaces IAS 14 'Segment Reporting'.

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker (CODM) to allocate resources to the segments and to assess their performance.

We report our segment information on the same basis as our internal management reporting structure, which drives how our company is organised and managed.

Notes to the Consolidated Financial Statements

for the year ended 25 February 2010

2 Segmental reporting (continued)

The Group is principally engaged as owner, developer and operator of nightclubs and themed bars in the UK. The CODM has been identified as the Senior Executive Management (SEM) that exercises the day-to-day management function of the Group. Operational and financial information, which is primarily at an individual unit level, is received by the CODM on a monthly basis. Luminar do not distinguish between geography or brand. The unit information does not meet the quantitative thresholds as required by IFRS 8, as such management have judged it appropriate to aggregate the financial information relating to all units into a single reportable segment.

All revenue is earned from sales to external customers.

3 Net finance costs

Net finance costs relating to continuing operations were as follows:

	Year ended 25 February 2010 £m	Year ended 26 February 2009 £m
Interest payable on bank borrowings	(7.7)	(9.8)
Interest payable on obligations under finance leases	(0.4)	(0.4)
Amortisation of issue costs of the bank loan	(0.2)	(0.2)
Total borrowing costs	(8.3)	(10.4)
Less amounts capitalised in the cost of qualifying assets	-	0.3
Finance costs	(8.3)	(10.1)
Income on bank deposits	0.1	0.1
Interest on loan to associate	0.9	1.7
Fair value movement on derivatives not hedge accounted for	0.1	-
Finance income	1.1	1.8
Net finance costs	(7.2)	(8.3)

Finance costs relating to discontinued operations, being interest payable on obligations under finance leases, totalled £nil (2009: £nil).

Interest capitalised in the cost of qualifying assets is calculated using the borrowing rate obtainable by the Group under its current facility at the start of each financial year. Interest is calculated from the date capital expenditure commences until the opening of the relevant unit.

Notes to the Consolidated Financial Statements

for the year ended 25 February 2010

4 Tax on (loss) / profit

(a) Analysis of charge in period

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

	Year ended 25 February 2010	Year ended 26 February 2009
	£m	£m
Current tax credit / (charge)		
- Continuing operations:		
- Current period	(3.0)	(6.6)
- Adjustments from prior periods	2.1	1.9
- Discontinued operations:		
- Current period	3.0	0.2
	2.1	(4.5)
Deferred tax credit		
- Continuing operations	11.9	1.6
- Discontinued operations	0.3	0.5
	12.2	2.1
Total taxation credit/ (charge)		
- Continuing operations	11.0	(3.1)
- Discontinued operations	3.3	0.7
	14.3	(2.4)

(b) Tax on items (charged) / credited to equity

	Year ended 25 February 2010	Year ended 26 February 2009
	£m	£m
Derivative financial instruments	(0.2)	2.9
	(0.2)	2.9

The amounts charged (2009: credited) to equity relate to deferred taxation.

(c) Factors affecting tax charge for period

The tax assessed for the period is higher (2009: higher) than the standard rate of corporation tax in the UK. The differences are explained as follows:

	Year ended 25 February 2010	Year ended 26 February 2009
	£m	£m
(Loss) / profit on ordinary activities from continuing operations before tax	(110.2)	10.5
(Loss) / profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009: 28%)*	30.9	(2.9)
Effects of:		
Expenses not deductible for tax purposes	(3.7)	(0.1)
Non-deductible exceptional items	(11.5)	(2.7)
Adjustments in respect of the prior year	2.1	1.9
Non-qualifying depreciation	(6.8)	0.7
Total tax credit / (charge) from continuing operations for the year	11.0	(3.1)

Notes to the Consolidated Financial Statements
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5 Dividends

	Year ended 25 February 2010 £m	Year ended 26 February 2009 £m
Ordinary shares – previous year final dividend paid: nil pence per share (2009: 13.95 pence per share)	-	8.5
Ordinary shares – current year interim dividend paid: nil pence per share (2009: 5.37 pence per share)	-	3.3
	-	11.8

The Directors are not proposing a final dividend in respect of the current financial year.

6 (Loss) / Earnings per share

The basic earnings per share (EPS) is calculated by dividing the earnings attributed to equity shareholders by the weighted average number of shares in issue during the year. For diluted earnings per share the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has two classes of dilutive potential ordinary shares: share options granted to Directors and employees where the exercise price is less than the average market price of the Group's ordinary shares during the year, and the contingently issuable shares under the Group's long-term incentive plan. At the year end an assessment is made as to whether the performance criteria for the vesting of awards under the share option schemes of the Group is likely to be met and any potential shares unlikely to be exercised are excluded from the diluted EPS calculation.

An alternative measure of earnings per share has also been presented below, that being earnings per share from continuing operations pre-exceptional items, as the Directors believe that this measure of pre-exceptional earnings from continuing operations is more reflective of the ongoing trading of the Group.

Reconciliation of the earnings and weighted average number of shares used in the calculations are set out below:

	Year ended 25 February 2010		
	(Loss) / earnings £m	Weighted average number of shares (in millions)	Per share amount (pence)
Basic and diluted EPS			
Loss attributable to ordinary shareholders	(123.1)	82.4	(149.4)
Basic and diluted EPS from continuing operations	(99.2)	82.4	(120.4)
Basic and diluted EPS from discontinued operations	(23.9)	82.4	(29.0)
EPS from continuing operations pre-exceptional items			
Basic and diluted EPS from continuing operations pre-exceptional items	5.1	82.4	6.2

At 25 February 2010, as the Group is loss-making, any share options in issue are considered to be "anti-dilutive" and as such, the calculation is the same for both basic and diluted earnings per share.

Notes to the Consolidated Financial Statements
for the year ended 25 February 2010

6 (Loss) / Earnings per share (continued)

	Year ended 26 February 2009		
	(Loss) / earnings £m	Weighted average number of shares (in millions)	Per share amount (pence)
Basic and diluted EPS			
Loss attributable to ordinary shareholders	(21.5)	60.9	(35.3)
Basic and diluted EPS from continuing operations	7.4	60.9	12.2
Basic and diluted EPS from discontinued operations	(28.9)	60.9	(47.5)
EPS from continuing operations pre-exceptional items			
Basic and diluted EPS from continuing operations pre-exceptional items	15.8	60.9	25.9

At 26 February 2009, as the Group was loss-making, any share options in issue are considered to be "anti-dilutive" based on the exercise price and the weighted average market price and as such, the calculation is the same for both basic and diluted earnings per share.

All amounts included in the column headed '(Loss) / earnings' are taken from the face of the Consolidated Income Statement.

7 Exceptional items

(a) Continuing operations

The Group incurred exceptional items on continuing operations as follows:

	Year ended 25 February 2010	Year ended 26 February 2009
	£m	£m
Exceptional items relating to trading		
Impairment of property, plant and equipment	(63.8)	(7.4)
Provision for loss on liquidation of supplier	(0.8)	-
Catch up of depreciation on units no longer held for sale	-	(0.5)
Costs relating to reorganisation and rationalisation	(1.5)	(0.6)
Impairment of goodwill	(41.1)	(0.7)
Impairment of lease premiums	(1.9)	-
Net movement on provision for onerous lease commitments	(3.5)	(0.3)
Legal settlement	-	(0.3)
Provision against carrying value of memorabilia stock	(0.6)	-
Provision against receivable due from associate	(0.7)	-
Costs relating to aborted projects	(0.7)	-
Pre-tax exceptional items relating to continuing operations	(114.6)	(9.8)
Tax on exceptional items	10.3	1.4
Post-tax exceptional items relating to continuing operations	(104.3)	(8.4)

The impairment of property, plant and equipment of £63.8m (2009: £7.4m) and impairment of lease premiums of £1.9m (2009: £nil) reflects the difference between the value in use of the units and their carrying value. An impairment review was triggered on these assets due to the tough trading conditions seen through the year, resulting in reduced profit contributions.

Notes to the Consolidated Financial Statements

for the year ended 25 February 2010

7 Exceptional items (continued)

Costs of reorganisation and rationalisation of £1.5m (2009: £0.6m) primarily relate to redundancy and termination costs incurred in respect of internal restructures. The prior year costs related mainly to previous restructures.

The impairment of goodwill of £41.1m (2009: £0.7m) has arisen following the annual impairment test, which compared the carrying value of units to their recoverable value (their value in use).

The charges arising from onerous lease commitments of £3.5m (2009: £0.3m) were to recognise the obligation for rent, rates and other property related holding costs on currently vacant or closed units, where the likelihood of assignment of the lease or sub-let of the property is unlikely in the short term. These units are closed or vacant due to them being unprofitable and unsuitable for re-branding.

(b) Discontinued operations

The Group incurred exceptional items relating to discontinued operations as follows:

	Year ended 25 February 2010	Year ended 26 February 2009
	£m	£m
Impairment of property, plant and equipment	(0.3)	(1.5)
Impairment of investment in associate	(3.6)	(24.1)
Provision against receivable due from associate	(23.7)	-
Costs relating to reorganisation and rationalisation	-	(0.7)
Net movement on provision for onerous lease commitments	0.3	(0.5)
Realised loss on disposal of the Entertainment Division	-	(0.4)
Realised profit on disposals	0.3	0.7
	(27.0)	(26.5)
Costs associated with the disposal of companies:		
Provision for cash injection into businesses	-	(1.4)
Transaction costs including advisors fees	-	(0.9)
	-	(2.3)
Indemnity provision	0.5	(0.5)
	0.5	(2.8)
Pre-tax exceptional items relating to discontinued operations		
	(26.5)	(29.3)
Tax on exceptional items	3.0	0.6
Post-tax exceptional items relating to discontinued operations		
	(23.5)	(28.7)

The impairment of property, plant and equipment of £0.3m (2009: £1.5m) has resulted from re-measuring to fair value less costs of sale units held for sale.

A non-cash impairment of £3.6m (2009: £24.1m) has been recognised against the carrying value of the Group's investment in The 3D Entertainment Group Limited, reflecting the fact that the company has gone into administration. A further £23.7m (2009: £nil) has been provided against the carrying value of the vendor loan note (and related accrued interest).

The credit in relation to the disposal of companies of £0.5m (2009: £2.8m charge) relates to a release of brought forward provisions, for which the relative amounts are no longer payable, due to the companies disposed of having been placed into liquidation and administration during the year.

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8 Discontinued operations and non-current assets held for sale

(a) Results of discontinued operations

The results of discontinued operations, which comprise those of the 26 units sold to Cavendish Bars Limited for which the sale did not complete prior to this financial year and other non-core units, either disposed of or held for sale, forming part of the Group's plan to exit from non-core operations, included within the Consolidated Income Statement were as follows:

	Year ended 25 February 2010	Year ended 26 February 2009
	£m	£m
Revenue	0.5	1.4
Administrative expenses	(1.2)	(1.7)
Finance costs	-	-
Loss before tax pre-exceptional items	(0.7)	(0.3)
Attributable tax credit	0.3	0.1
Loss after tax pre-exceptional items	(0.4)	(0.2)
Exceptional items (see note 7)	(26.5)	(29.3)
Attributable tax credit	3.0	0.6
Loss from discontinued operations	(23.9)	(28.9)

The impairment of the Group's investment in The 3D Entertainment Group Limited, and the provision against the related receivable balance, are the primary reasons for the loss from discontinued operations (see Note 7, 'Exceptional Items').

(b) Cash flow from discontinued operations

The Consolidated Cash Flow Statement includes the following cash flows arising from discontinued operations:

	Year ended 25 February 2010	Year ended 26 February 2009
	£m	£m
Net cash flows from operating activities	(5.3)	(11.0)
Net cash flows from investing activities	(0.1)	3.5
	(5.4)	(7.5)

Notes to the Consolidated Financial Statements
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8 Discontinued operations and non-current assets held for sale (continued)

(c) Assets and liabilities of units held for sale

As at 25 February 2010, five units (2009: nine units) were classified as held for sale, of which four (2009: eight) of the units were reported within discontinued operations, and the remaining unit was reported within continuing operations.

The major classes of assets and liabilities comprising the units classified as held for sale were as follows:

	25 February 2010	26 February 2009
	£m	£m
Property, plant and equipment	2.0	2.3
Inventories	-	-
Trade and other receivables	0.1	0.1
Cash and cash equivalents	-	-
Total assets classified as held for sale	2.1	2.4
Trade and other payables	(0.1)	(0.1)
Deferred income	-	-
Provisions	(0.5)	(5.8)
Deferred tax liabilities	(0.1)	(0.1)
Total liabilities classified as held for sale	(0.7)	(6.0)
Net assets / (liabilities) classified as held for sale	1.4	(3.6)

The total loss of £1.6m (2009: £2.0m) incurred in writing these assets down to fair value less costs to sell has been included in exceptional items (see note 7).

9 Cash flow from operating activities

a) Reconciliation of net cash inflow from operating activities

	Year ended 25 February 2010 £m	Year ended 26 February 2009 £m
Profit before taxation – continuing operations	(110.2)	10.5
Loss before taxation – discontinued operations	(27.2)	(29.6)
Loss before taxation	(137.4)	(19.1)
Depreciation and amortisation	22.7	22.7
Amortisation of lease premiums	0.1	0.2
Amortisation of issue costs	0.2	0.2
Net impairment of property, plant and equipment	64.1	8.9
Impairment of goodwill	41.1	0.7
Impairment of other non-current assets	1.9	-
Impairment of investment in associate	3.6	24.1
Provision against receivables due from associate	24.4	-
Movement in accrued transaction costs	-	(2.5)
Profit on sale of property, plant and equipment	(0.5)	(0.7)
Loss on sale of motor vehicles	-	0.1
Loss on disposal of intangible assets	-	0.1
Non-cash charges for share-based payments	0.5	0.3
Net finance costs	7.2	8.3
	27.9	43.3
Decrease in inventories	0.6	0.2
Decrease in receivables	1.0	0.5
(Decrease) / increase in trade and other payables	(4.0)	3.2
Decrease in provisions	(2.2)	(5.1)
Net cash inflow from operations	23.3	42.1

Notes to the Consolidated Financial Statements

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9 Cash flow from operating activities (continued)

b) Cash flows from continuing operations

To assist in the understanding of cash flows relating to the ongoing business of the Group, the following tables outline the cash flows relating to discontinued operations and exceptional items to be excluded in order to present operating cash flows that relate to the Group's continuing business:

	Year ended 25 February 2010 £m	Year ended 26 February 2009 £m
Cash flows from operating activities	17.3	32.0
Add: net cash flows from operating activities – discontinued operations (including exceptional cash items)	5.3	11.0
Cash flows from operating activities – continuing operations	22.6	43.0
Add: net exceptional cash flows from operating activities - continuing operations	2.9	1.2
Pre-exceptional cash flows from operating activities - continuing operations	25.5	44.2

	Year ended 25 February 2010 £m	Year ended 26 February 2009 £m
Net cash inflow from operations	23.3	42.1
Add: net cash flows from operating activities - discontinued operations (including exceptional cash items)	5.3	11.0
Net cash inflow from operations – continuing operations	28.6	53.1
Add: net exceptional cash flows from operations - continuing operations	2.9	1.2
Net pre-exceptional cash inflow from operations - continuing operations	31.5	54.3