



Accountants and business advisors

CASTLE LEISURE LIMITED

Company Number: 118558

ANNUAL REPORT

52 WEEKS ENDED 28 DECEMBER 2003



CASTLE LEISURE LIMITED
52 WEEKS ENDED 28 DECEMBER 2003

CONTENTS

	Page
DIRECTORS' REPORT	1 - 2
STATEMENT OF DIRECTORS' RESPONSIBILITIES	3
INDEPENDENT AUDITORS' REPORT	4 - 5
PROFIT AND LOSS ACCOUNT	6
NOTE OF HISTORICAL COST PROFITS AND LOSSES	6
BALANCE SHEET	7
CASH FLOW STATEMENT	8
NOTES TO THE FINANCIAL STATEMENTS	9 - 18

CASTLE LEISURE LIMITED
DIRECTORS' REPORT
52 WEEKS ENDED 28 DECEMBER 2003

The directors submit their report and the financial statements for the period ended 28 December 2003.

Results and dividends

The profit for the period, after taxation, amounted to £2,199,750 (2002 - £2,042,691).

An interim ordinary dividend of £268,275 was paid on 1 October 2003. The directors recommend a final ordinary dividend of £268,274 be paid for the period on 1 June 2004.

Principal activity and review of the business

The company's principal activity for the period was the operation of bingo clubs and the provision of electronic entertainment and catering services within them.

Satisfactory profit progress was made during the period.

Our regional market position has further improved in the period under review. Our new build club in Neath opened 1 April 2003 and is trading satisfactorily. The Pontypridd club was disposed of 28 March 2003.

In the current period the directors anticipate a period of consolidation under competitive pressure driven by the continued decline in total UK bingo industry volume. This we believe is principally a function of over extraction from bingo players by the two dominant bingo operators.

Directors

The directors who served during the period and their interests in the company's issued share capital at the balance sheet date and at the start of the period (or date of appointment, if later) were:

	Ordinary Shares of £1 each	
	2003	2002
Jeffrey C Harris	24,200	24,200
Diane E Brierley	2,000	2,000
David S Andrews	5,329	5,329
F Keith Edwards	11,587	11,587
Philip J T Yapp	7,697	8,597
Mark H Andrews (appointed 1 January 2003)	7,637	6,337

The directors retiring by rotation are Jeffrey C Harris and F Keith Edwards who, being eligible, offer themselves for reappointment.

Charitable contributions

During the period the company made charitable donations of £8,463. Additionally the company facilitates through its clubs substantial local charitable and civic fund raising. Total fund raising activities during the period generated over £28,000.

CASTLE LEISURE LIMITED
DIRECTORS' REPORT (continued)
52 WEEKS ENDED 28 DECEMBER 2003

Employees

The company values the contribution that its employees make to the success of the business. Substantial investment is made in training, development and motivating staff. Particular focus is made on ensuring customer satisfaction through consistent attainment of high standards of care and service. The involvement of employees in the success of the business is encouraged through company wide communication and consultation. The involvement of employees in the local community is encouraged through our Business in the Community programme.

The company supports the active application of equal opportunities policies and programmes to provide fair and equitable conditions for all employees regardless of sex, family status, religion, creed, colour, ethnic origin, age or disability.

Supplier payment policies

The company policy is to strive for excellent working relationships with our suppliers, this encourages mutual business development over the long term. We make payment, usually directly into the supplier's bank accounts, before the end of the month following invoicing, subject to satisfactory performance of the supplier.

Health and safety

The company has a systematic and rigorous approach to all health and safety matters. Each club and head office undertakes regular formal meetings. The British Safety Council has awarded full Five Star Awards to all of our clubs.

Auditors

The auditors, PKF, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

By order of the board



D E Brierley - Secretary

CASTLE LEISURE LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss of the company 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors are responsible for ensuring that the directors' report and other information included in the annual report is prepared in accordance with company law in the United Kingdom.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
CASTLE LEISURE LIMITED**

We have audited the financial statements of Castle Leisure Limited for the period ended 28 December 2003 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
CASTLE LEISURE LIMITED (continued)**

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 28 December 2003 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Cardiff, UK
12 March 2004

PKF
Registered Auditors

CASTLE LEISURE LIMITED
PROFIT AND LOSS ACCOUNT
52 WEEKS ENDED 28 DECEMBER 2003

	Notes	52 weeks ended 28 December 2003 £	52 weeks ended 29 December 2002 £
TURNOVER		19,296,034	17,696,055
Cost of sales		(3,200,726)	(2,931,445)
GROSS PROFIT		16,095,308	14,764,610
Administrative expenses		(12,905,189)	(11,771,606)
Other operating income		366,028	134,282
OPERATING PROFIT	2	3,556,147	3,127,286
Interest payable	5	(255,978)	(236,936)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		3,300,169	2,890,350
TAXATION	6	(1,100,419)	(847,659)
PROFIT FOR THE FINANCIAL YEAR		2,199,750	2,042,691
DIVIDENDS	7	(536,549)	(487,772)
		1,663,201	1,554,919

All amounts relate to continuing operations.

There were no recognised gains or losses for the period other than those included in the profit and loss account.

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	52 weeks ended 28 December 2003 £	52 weeks ended 29 December 2002 £
Reported profit on ordinary activities before taxation	3,300,169	2,890,350
Realisation of property revaluation gains of previous periods	1,099,949	-
Historical cost profit on ordinary activities before taxation	4,400,118	2,890,350
Historical cost profit for the year retained after taxation	2,763,150	1,554,919

CASTLE LEISURE LIMITED
BALANCE SHEET
28 DECEMBER 2003

	Notes	28 December 2003 £	29 December 2002 £
FIXED ASSETS			
Tangible	8	25,678,930	24,560,864
CURRENT ASSETS			
Stocks	9	165,658	157,645
Debtors	10	206,613	304,557
Cash at bank and in hand		725,925	180,147
		<u>1,098,196</u>	<u>642,349</u>
CREDITORS: amounts falling due within one year	11	<u>(4,045,487)</u>	<u>(4,322,357)</u>
NET CURRENT LIABILITIES		<u>(2,947,291)</u>	<u>(3,680,008)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>22,731,639</u>	<u>20,880,856</u>
CREDITORS: amounts falling due after more than one year	12	(4,368,952)	(4,338,120)
PROVISIONS FOR LIABILITIES AND CHARGES	14	(1,013,000)	(842,500)
DEFERRED INCOME	15	(366,000)	(379,750)
NET ASSETS		<u><u>16,983,687</u></u>	<u><u>15,320,486</u></u>
CAPITAL AND RESERVES			
Called up share capital	16	243,886	243,886
Profit and loss account	17	15,488,836	12,725,686
Other reserves	18	1,250,965	2,350,914
SHAREHOLDERS' FUNDS	19	<u><u>16,983,687</u></u>	<u><u>15,320,486</u></u>

The financial statements were approved by the board on 27 February 2004

Signed on behalf of the board of directors

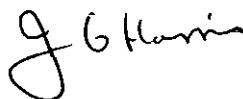
D S Andrews

Director



J C Harris

Director



CASTLE LEISURE LIMITED
CASH FLOW STATEMENT
52 WEEKS ENDED 28 DECEMBER 2003

	52 weeks ended 28 December 2003 £	52 weeks ended 29 December 2002 £
Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	3,556,147	3,127,286
Depreciation of tangible fixed assets	1,316,496	1,149,670
Profit on sale of fixed assets	(26,641)	(3,179)
Deferred government grants released	(13,750)	(11,472)
Decrease/(increase) in debtors	97,944	(33,742)
Increase in stocks	(8,013)	(30,402)
Increase in creditors	262,123	286,428
Net cash inflow from operating activities	<u>5,184,306</u>	<u>4,484,589</u>
 CASH FLOW STATEMENT (note 20)		
Net cash inflow from operating activities	5,184,306	4,484,589
Returns on investments and servicing of finance	(255,978)	(236,936)
Taxation	(962,816)	(744,541)
Capital expenditure	(2,407,921)	(4,315,811)
Equity dividends paid	(519,477)	(451,189)
	<u>1,038,114</u>	<u>(1,263,888)</u>
Financing	30,832	960,000
Increase/(decrease) in cash	<u>1,068,946</u>	<u>(303,888)</u>
 Reconciliation of net cash flow to movement in net debt (note 21)		
Increase/(decrease) in cash in the period	1,068,946	(303,888)
Cash inflow from change in debt	(30,832)	(960,000)
Change in net debt	<u>1,038,114</u>	<u>(1,263,888)</u>
Net debt at 30 December 2002	(5,521,141)	(4,257,253)
Net debt at 28 December 2003	<u>(4,483,027)</u>	<u>(5,521,141)</u>

CASTLE LEISURE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
52 WEEKS ENDED 28 DECEMBER 2003

1 ACCOUNTING POLICIES

(a) Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention as modified by the revaluation of one of the freehold properties, and in accordance with applicable accounting standards.

(b) Turnover

Turnover represents admission fees, participation fees, gaming machine takings and the sale of food and drink net of bingo duty, gross profits tax and value added tax.

(c) Grants

Grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal annual instalments.

(d) Tangible fixed assets

Tangible fixed assets, other than freehold properties, are depreciated on a straight line basis over their estimated useful lives as follows:

Plant, fixtures, fittings and equipment	10 - 33 %
Motor vehicles	25 %

Freehold properties are stated at 1991 open market for existing use valuation with subsequent additions at cost. No depreciation is provided for as the amount is not considered material as it is the company's policy to maintain properties to modern standards. Impairment reviews are carried out to ensure freehold properties are not carried at above their recoverable amounts. Any impairment write downs are charged to the profit and loss account.

(e) Stocks

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

(f) Deferred taxation

As required by FRS 19 "Deferred Tax", full provision is made for deferred tax liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation, except for those timing differences in respect of which the standard specifies that deferred tax should not be recognised. Deferred tax is not provided on timing differences arising from the revaluation of certain fixed assets in the financial statements. Deferred liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

(g) Pensions

The company operates a defined contribution pension scheme and the pension charge in the profit and loss account represents the amounts payable by the company to the fund in respect of the year.

CASTLE LEISURE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
52 WEEKS ENDED 28 DECEMBER 2003

2 OPERATING PROFIT

The operating profit is stated after charging:

	52 weeks ended 28 December 2003 £	52 weeks ended 29 December 2002 £
Depreciation of tangible fixed assets:		
- owned by the company	1,316,496	1,149,670
Audit fees	13,675	13,000
Auditors' remuneration - non-audit services	3,600	3,342
	<u> </u>	<u> </u>

3 DIRECTORS' EMOLUMENTS AND BENEFITS

	52 weeks ended 28 December 2003 £	52 weeks ended 29 December 2002 £
Directors' emoluments	973,068	695,641
Pension contributions	194,112	148,610
	<u> </u>	<u> </u>

There are three directors to whom benefits are accruing under money purchase schemes (2002 - three).

The highest paid director received emoluments and benefits as follows:

	52 weeks ended 28 December 2003 £	52 weeks ended 29 December 2002 £
Emoluments	730,702	427,724
Pension contributions	169,700	109,940
	<u> </u>	<u> </u>

The gross equivalent of own pension contributions made by the highest paid director was £58,600 (2002 - £43,770).

A total of £55,400 (2002 - £37,500) was paid as pensions and benefits to former directors.

CASTLE LEISURE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
52 WEEKS ENDED 28 DECEMBER 2003

4 STAFF COSTS

Staff costs, including directors' emoluments, were as follows:

	52 weeks ended 28 December 2003 £	52 weeks ended 29 December 2002 £
Wages and salaries	6,343,244	5,536,501
Social security costs	455,455	368,319
Other pension costs	343,791	285,619
	<u>7,142,490</u>	<u>6,190,439</u>

The average monthly number of employees, including executive directors, during the period was:

	Number	Number
Bingo clubs	514	484
Administration	21	21
	<u>535</u>	<u>505</u>

5 INTEREST PAYABLE

	52 weeks ended 28 December 2003 £	52 weeks ended 29 December 2002 £
Bank loans and overdrafts	<u>255,978</u>	<u>236,936</u>

CASTLE LEISURE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
52 WEEKS ENDED 28 DECEMBER 2003

6 TAXATION

	52 weeks ended 28 December 2003 £	52 weeks ended 29 December 2002 £
(a) Analysis of charge in period		
UK corporation tax		
Current tax on income for the period	929,919	730,000
Adjustments in respect of prior periods	-	(18,341)
Total UK taxation	<u>929,919</u>	<u>711,659</u>
Deferred tax		
Changes in deferred tax balances arising from:		
Origination or reversal of timing differences	<u>170,500</u>	<u>136,000</u>
Tax on profit on ordinary activities	<u><u>1,100,419</u></u>	<u><u>847,659</u></u>

(b) Factors affecting the tax charge for the period

The tax assessed for the period is lower than would be expected by multiplying profit on ordinary activities by the standard rate of corporation tax in the UK of 30%. The differences are explained below:

	52 weeks ended 28 December 2003 £	52 weeks ended 29 December 2002 £
Profit on ordinary activities before tax	<u>3,300,169</u>	<u>2,890,350</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax of 30% (2002: 30%)	990,051	867,105
Effects of:		
Capital allowances in excess of depreciation	(60,132)	(136,060)
Adjustments in respect of previous periods	-	(18,341)
Other timing differences	-	(1,045)
Current tax charge for the period	<u><u>929,919</u></u>	<u><u>711,659</u></u>

CASTLE LEISURE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
52 WEEKS ENDED 28 DECEMBER 2003

7 DIVIDENDS

	52 weeks ended 28 December 2003 £	52 weeks ended 29 December 2002 £
Ordinary shares		
Interim paid - 110p per share (2002 - 97p)	268,275	236,570
Final proposed - 110p per share (2002 - 103p)	268,274	251,202
Total dividends	<u>536,549</u>	<u>487,772</u>

8 TANGIBLE FIXED ASSETS

	Freehold property £	Plant equipment and vehicles £	Total £
Cost or valuation			
At 30 December 2002	19,226,923	9,847,776	29,074,699
Additions	2,349,395	2,110,716	4,460,111
Disposals	(1,721,481)	(1,488,486)	(3,209,967)
At 28 December 2003	<u>19,854,837</u>	<u>10,470,006</u>	<u>30,324,843</u>
Depreciation			
At 30 December 2002	-	4,513,835	4,513,835
Charge for year	-	1,316,496	1,316,496
On disposals	-	(1,184,418)	(1,184,418)
At 28 December 2003	<u>-</u>	<u>4,645,913</u>	<u>4,645,913</u>
Net book amount			
At 28 December 2003	<u>19,854,837</u>	<u>5,824,093</u>	<u>25,678,930</u>
At 29 December 2002	<u>19,226,923</u>	<u>5,333,941</u>	<u>24,560,864</u>

On the historical cost basis, land and buildings would have been included as follows:

	28 December 2003 £	29 December 2002 £
Cost	<u>18,792,482</u>	<u>17,577,669</u>

CASTLE LEISURE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
52 WEEKS ENDED 28 DECEMBER 2003

9 STOCKS

	28 December 2003 £	29 December 2002 £
Goods for resale	165,658	157,645
	<u>165,658</u>	<u>157,645</u>

10 DEBTORS

	28 December 2003 £	29 December 2002 £
Due within one year		
Prepayments & accrued income	206,613	304,557
	<u>206,613</u>	<u>304,557</u>

11 CREDITORS

	28 December 2003 £	29 December 2002 £
Amounts falling due within one year		
Bank loans and overdrafts (note 13)	840,000	1,363,168
Trade creditors	804,683	727,295
Corporation tax	340,246	373,144
Other tax and social security	913,620	515,646
Proposed dividends	268,275	251,202
Accruals and deferred income	878,663	1,091,902
	<u>4,045,487</u>	<u>4,322,357</u>

12 CREDITORS

	28 December 2003 £	29 December 2002 £
Amounts falling due after more than one year		
Bank loans (note 13)	4,368,952	4,338,120
	<u>4,368,952</u>	<u>4,338,120</u>

CASTLE LEISURE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
52 WEEKS ENDED 28 DECEMBER 2003

13 BANK LOAN

The bank loan is repayable by reference to the balance sheet date as follows:

	28 December 2003 £	29 December 2002 £
Within one year	840,000	840,000
Between one and two years	840,000	840,000
Between two and five years	2,520,000	2,520,000
After more than five years	1,008,952	978,120
	<u>5,208,952</u>	<u>5,178,120</u>

The bank loan is secured by a first charge on certain freehold property of the company. The bank loan bears interest at 1% above the bank's base rate.

14 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred taxation £
At 30 December 2002	842,500
Charged in profit and loss	170,500
At 28 December 2003	<u>1,013,000</u>

Deferred tax is analysed as follows:

	Fully provided 28 December 2003 £	29 December 2002 £
Capital allowances	1,013,000	959,500
Other timing differences	-	(117,000)
	<u>1,013,000</u>	<u>842,500</u>

CASTLE LEISURE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
52 WEEKS ENDED 28 DECEMBER 2003

15 DEFERRED INCOME

	28 December 2003 £
At 30 December 2002	379,750
Credited in profit and loss	(13,750)
At 28 December 2003	<u>366,000</u>

16 SHARE CAPITAL

	Authorised £	Allotted, called up and fully paid Number	£
At 30 December 2002 and 28 December 2003 Ordinary shares of £1 each	<u>990,000</u>	<u>243,886</u>	<u>243,886</u>

17 PROFIT AND LOSS ACCOUNT

	£
At 30 December 2002	12,725,686
Profit for the period	2,199,750
Dividends	(536,549)
Realised on disposal	1,099,949
At 28 December 2003	<u>15,488,836</u>

18 OTHER RESERVES

	28 December 2003 £	29 December 2002 £
Share premium account	172,550	172,550
Revaluation reserve	1,062,351	2,162,300
Capital redemption reserve	16,064	16,064
	<u>1,250,965</u>	<u>2,350,914</u>

The movement on the revaluation reserve of £1,099,949 relates to the realisation on gains of the sale of freehold property.

CASTLE LEISURE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
52 WEEKS ENDED 28 DECEMBER 2003

19 SHAREHOLDERS' FUNDS

	28 December 2003 £	29 December 2002 £
Shareholders' funds at 30 December 2002	15,320,486	13,765,567
Profit for the period	2,199,750	2,042,691
Dividends	(536,549)	(487,772)
Shareholders' funds at 28 December 2003	<u>16,983,687</u>	<u>15,320,486</u>

20 GROSS CASH FLOWS

	52 weeks ended 28 December 2003 £	52 weeks ended 29 December 2002 £
Returns on investments and servicing of finance		
Interest paid	(255,978)	(236,936)
Capital expenditure		
Payments to acquire tangible fixed assets	(4,460,111)	(4,489,188)
Receipts from sales of tangible fixed assets	2,052,190	173,377
	<u>(2,407,921)</u>	<u>(4,315,811)</u>
Financing		
New loans	2,775,000	2,000,000
Loans repaid	(2,744,168)	(1,040,000)
	<u>30,832</u>	<u>960,000</u>

21 ANALYSIS OF CHANGES IN NET DEBT

	At 30 December 2002 £	Cash flows £	Other changes £	At 28 December 2003 £
Cash at bank and in hand	180,147	545,778	-	725,925
Overdrafts	(523,168)	523,168	-	-
		<u>1,068,946</u>		
Debt due within 1 year	(840,000)	-	-	(840,000)
Debt due after 1 year	(4,338,120)	(30,832)	-	(4,368,952)
Total	<u>(5,521,141)</u>	<u>1,038,114</u>	<u>-</u>	<u>(4,483,027)</u>

CASTLE LEISURE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
52 WEEKS ENDED 28 DECEMBER 2003

22 CAPITAL COMMITMENTS

At 28 December 2003 the company had entered into contracts for capital expenditure not provided for in these accounts amounting to approximately £505,563 (2002 - £3,580,000).

23 CONTINGENT LIABILITIES

The company had unfunded pension commitments to one of its executive directors and three former non executive directors.