

CASTLE LEISURE LIMITED

Company Number: 118558

ANNUAL REPORT

52 WEEKS ENDED 26 DECEMBER 2004



CASTLE LEISURE LIMITED
52 WEEKS ENDED 26 DECEMBER 2004

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CASTLE LEISURE LIMITED
DIRECTORS' REPORT
52 WEEKS ENDED 26 DECEMBER 2004

The directors submit their report and the financial statements for the period ended 26 December 2004.

Results and dividends

The profit for the period, after taxation, amounted to £2,541,408 (2003 - £2,199,750).

An interim ordinary dividend of £297,541 was paid on 1 October 2004. The directors recommend a final ordinary dividend of £297,541 be paid for the period on 1 June 2005.

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. We acquired a site at Nantgarw to develop a new build bingo club.

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. The national pricing policies of the two dominant bingo operators, has led to increased margin pressure.

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	
	2004	2003
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	9,364	9,364
Mark H Andrews	5,337	7,637

The directors retiring by rotation are Mark H Andrews and Diane E Brierley who, being eligible, offer themselves for reappointment.

Charitable contributions

During the period the company made charitable donations of £8,203. Additionally the company facilitates through its clubs substantial local charitable and civic fund raising. Total fund raising activities during the period generated over £39,000.

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



Secretary

D E BRIERLEY

CASTLE LEISURE LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 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 judgments 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 26 December 2004 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 auditors' 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 26 December 2004 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Cardiff, UK
21 March 2005

PKF
PKF
Registered Auditors

CASTLE LEISURE LIMITED
PROFIT AND LOSS ACCOUNT
52 WEEKS ENDED 26 DECEMBER 2004

	Notes	52 weeks ended 26 December 2004 £	52 weeks ended 28 December 2003 £
TURNOVER		20,700,717	19,296,034
Cost of sales		(2,931,732)	(3,200,726)
GROSS PROFIT		17,768,985	16,095,308
Administrative expenses		(14,761,453)	(12,905,189)
Other operating income		904,691	366,028
OPERATING PROFIT	2	3,912,223	3,556,147
Interest payable	5	(281,815)	(255,978)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		3,630,408	3,300,169
TAXATION	6	(1,089,000)	(1,100,419)
PROFIT FOR THE FINANCIAL YEAR		2,541,408	2,199,750
DIVIDENDS	7	(595,082)	(536,549)
		<u>1,946,326</u>	<u>1,663,201</u>

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.


There was no material difference between the reported result and the result calculated on an unmodified historical cost basis.

CASTLE LEISURE LIMITED
BALANCE SHEET
26 DECEMBER 2004

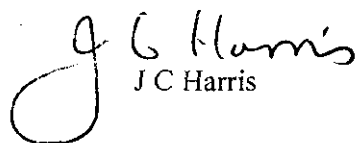
	Notes	26 December 2004 £	28 December 2003 £
FIXED ASSETS			
Tangible	8	27,740,591	25,678,930
CURRENT ASSETS			
Stocks	9	178,395	165,658
Debtors	10	336,088	206,613
Cash at bank and in hand		751,239	725,925
		<u>1,265,722</u>	<u>1,098,196</u>
CREDITORS: amounts falling due within one year	11	<u>(3,848,348)</u>	<u>(4,045,487)</u>
NET CURRENT LIABILITIES		<u>(2,582,626)</u>	<u>(2,947,291)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>25,157,965</u>	<u>22,731,639</u>
CREDITORS: amounts falling due after more than one year	12	(4,796,952)	(4,368,952)
PROVISIONS FOR LIABILITIES AND CHARGES	14	(1,074,000)	(1,013,000)
DEFERRED INCOME	15	(357,000)	(366,000)
NET ASSETS		<u>18,930,013</u>	<u>16,983,687</u>
CAPITAL AND RESERVES			
Called up share capital	16	243,886	243,886
Profit and loss account	17	17,435,162	15,488,836
Other reserves	18	1,250,965	1,250,965
SHAREHOLDERS' FUNDS	19	<u>18,930,013</u>	<u>16,983,687</u>

The financial statements were approved by the board on **25 February 2005**

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 26 DECEMBER 2004

	52 weeks ended 26 December 2004 £	52 weeks ended 28 December 2003 £
Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	3,912,223	3,556,147
Depreciation of tangible fixed assets	1,505,653	1,316,496
Loss/(profit) on sale of fixed assets	1,727	(26,641)
Deferred government grants released	(9,000)	(13,750)
(Increase)/decrease in debtors	(129,475)	97,944
Increase in stocks	(12,737)	(8,013)
(Decrease)/increase in creditors	(283,605)	262,123
Net cash inflow from operating activities	<u>4,984,786</u>	<u>5,184,306</u>
 CASH FLOW STATEMENT (note 20)		
Net cash inflow from operating activities	4,984,786	5,184,306
Returns on investments and servicing of finance	(281,815)	(255,978)
Taxation	(970,800)	(962,816)
Capital expenditure	(3,569,041)	(2,407,921)
Equity dividends paid	(565,816)	(519,477)
	<u>(402,686)</u>	<u>1,038,114</u>
Financing	<u>428,000</u>	<u>30,832</u>
Increase in cash	<u>25,314</u>	<u>1,068,946</u>
 Reconciliation of net cash flow to movement in net debt (note 21)		
Increase in cash in the period	25,314	1,068,946
Cash inflow from change in debt	(428,000)	(30,832)
	<u>(402,686)</u>	<u>1,038,114</u>
Change in net debt	<u>(4,483,027)</u>	<u>(5,521,141)</u>
Net debt at 29 December 2003	<u>(4,885,713)</u>	<u>(4,483,027)</u>
Net debt at 26 December 2004	<u>(4,885,713)</u>	<u>(4,483,027)</u>

CASTLE LEISURE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
52 WEEKS ENDED 26 DECEMBER 2004

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 received during the period net of 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	4 - 40 %
Motor vehicles	25 %

Freehold properties are stated at 1991 open market for existing use valuation with subsequent additions at cost. No depreciation is provided on freehold buildings as it is the company's policy to maintain them to a high standard and accordingly it is the directors opinion that the residual values of these assets, based on prices prevailing at the time of aquisition or subsequent valuation, are such that their depreciation is immaterial. The cost of repairs and maintenance of the buildings is charged to profit and loss account as incurred. Impairment reviews are carried out to ensure freehold buildings 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 26 DECEMBER 2004

2 OPERATING PROFIT

The operating profit is stated after charging:

	52 weeks ended 26 December 2004 £	52 weeks ended 28 December 2003 £
Depreciation of tangible fixed assets:		
- owned by the company	1,505,653	1,316,496
Audit fees	13,675	13,675
Auditors' remuneration - non-audit services	3,000	3,600
	<u> </u>	<u> </u>

3 DIRECTORS' EMOLUMENTS AND BENEFITS

	52 weeks ended 26 December 2004 £	52 weeks ended 28 December 2003 £
Directors' emoluments	1,205,168	973,068
Pension contributions	703,112	194,112
	<u> </u>	<u> </u>

There are three directors to whom benefits are accruing under money purchase schemes (2003 - three).

The highest paid director received emoluments and benefits as follows:

	52 weeks ended 26 December 2004 £	52 weeks ended 28 December 2003 £
Emoluments	942,939	730,702
Pension contributions	675,866	169,700
	<u> </u>	<u> </u>

The gross equivalent of own pension contributions made by the highest paid director was £63,200 (2003 - £58,600).

A total of £54,810 (2003 - £52,400) was paid as pensions and benefits to former directors.

CASTLE LEISURE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
52 WEEKS ENDED 26 DECEMBER 2004

4 STAFF COSTS

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

	52 weeks ended 26 December 2004 £	52 weeks ended 28 December 2003 £
Wages and salaries	6,966,603	6,343,244
Social security costs	628,892	455,455
Other pension costs	840,938	343,791
	<u>8,436,433</u>	<u>7,142,490</u>

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

	Number	Number
Bingo clubs	523	514
Administration	22	21
	<u>545</u>	<u>535</u>

5 INTEREST PAYABLE

	52 weeks ended 26 December 2004 £	52 weeks ended 28 December 2003 £
Bank loans and overdrafts	<u>281,815</u>	<u>255,978</u>

CASTLE LEISURE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
52 WEEKS ENDED 26 DECEMBER 2004

6 TAXATION

	52 weeks ended 26 December 2004 £	52 weeks ended 28 December 2003 £
(a) Analysis of charge in period		
UK corporation tax		
Current tax on income for the period	1,028,000	929,919
Deferred tax		
Changes in deferred tax balances arising from:		
Origination or reversal of timing differences	61,000	170,500
Tax on profit on ordinary activities	<u>1,089,000</u>	<u>1,100,419</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 26 December 2004 £	52 weeks ended 28 December 2003 £
Profit on ordinary activities before tax	3,630,408	3,300,169
Profit on ordinary activities multiplied by the standard rate of corporation tax of 30% (2003: 30%)	1,089,122	990,051
Effects of:		
Capital allowances in excess of depreciation	(61,122)	(60,132)
Current tax charge for the period	<u>1,028,000</u>	<u>929,919</u>

7 DIVIDENDS

	52 weeks ended 26 December 2004 £	52 weeks ended 28 December 2003 £
Ordinary shares		
Interim paid - 122p per share (2003 - 110p)	297,541	268,275
Final proposed - 122p per share (2003 - 110p)	297,541	268,274
Total dividends	<u>595,082</u>	<u>536,549</u>

CASTLE LEISURE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
52 WEEKS ENDED 26 DECEMBER 2004

8 TANGIBLE FIXED ASSETS

	Freehold property £	Plant equipment and vehicles £	Total £
Cost or valuation			
At 29 December 2003	19,854,837	10,470,006	30,324,843
Additions	2,135,629	1,540,041	3,675,670
Disposals	(1,066)	(520,831)	(521,897)
At 26 December 2004	<u>21,989,400</u>	<u>11,489,216</u>	<u>33,478,616</u>
Depreciation			
At 29 December 2003	-	4,645,913	4,645,913
Charge for year	-	1,505,653	1,505,653
On disposals	-	(413,541)	(413,541)
At 26 December 2004	<u>-</u>	<u>5,738,025</u>	<u>5,738,025</u>
Net book amount			
At 26 December 2004	<u>21,989,400</u>	<u>5,751,191</u>	<u>27,740,591</u>
At 28 December 2003	<u>19,854,837</u>	<u>5,824,093</u>	<u>25,678,930</u>

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

	26 December 2004 £	28 December 2003 £
Cost	<u>20,927,045</u>	<u>18,792,482</u>

9 STOCKS

	26 December 2004 £	28 December 2003 £
Goods for resale	<u>178,395</u>	<u>165,658</u>

CASTLE LEISURE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
52 WEEKS ENDED 26 DECEMBER 2004

10 DEBTORS

	26 December 2004 £	28 December 2003 £
Due within one year		
Prepayments & accrued income	336,088	206,613
	<u>336,088</u>	<u>206,613</u>

11 CREDITORS

	26 December 2004 £	28 December 2003 £
Amounts falling due within one year		
Bank loans and overdrafts (note 13)	840,000	840,000
Trade creditors	825,562	804,683
Corporation tax	397,446	340,246
Other tax and social security	510,463	913,620
Proposed dividends	297,541	268,275
Accruals and deferred income	977,336	878,663
	<u>3,848,348</u>	<u>4,045,487</u>

12 CREDITORS

	26 December 2004 £	28 December 2003 £
Amounts falling due after more than one year		
Bank loans (note 13)	4,796,952	4,368,952
	<u>4,796,952</u>	<u>4,368,952</u>

CASTLE LEISURE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
52 WEEKS ENDED 26 DECEMBER 2004

13 BANK LOAN

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

	26 December 2004 £	28 December 2003 £
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	1,436,952	1,008,952
	<u>5,636,952</u>	<u>5,208,952</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 29 December 2003	1,013,000
Charged in profit and loss	61,000
At 26 December 2004	<u>1,074,000</u>

Deferred tax is analysed as follows:

	Fully provided 26 December 2004 £	28 December 2003 £
Capital allowances	<u>1,074,000</u>	<u>1,013,000</u>

15 DEFERRED INCOME

	28 December 2004 £
At 29 December 2003	366,000
Credited in profit and loss account	(9,000)
At 26 December 2004	<u>357,000</u>

CASTLE LEISURE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
52 WEEKS ENDED 26 DECEMBER 2004

16 SHARE CAPITAL

	Authorised £	Allotted, called up and fully paid Number	£
At 29 December 2003 and 26 December 2004 Ordinary shares of £1 each	990,000	243,886	243,886

17 PROFIT AND LOSS ACCOUNT

	£
At 29 December 2003	15,488,836
Profit for the period	2,541,408
Dividends	(595,082)
At 26 December 2004	17,435,162

18 OTHER RESERVES

	26 December 2004 £	28 December 2003 £
Share premium account	172,550	172,550
Revaluation reserve	1,062,351	1,062,351
Capital redemption reserve	16,064	16,064
	1,250,965	1,250,965

19 SHAREHOLDERS' FUNDS

	26 December 2004 £	28 December 2003 £
Shareholders' funds at 29 December 2003	16,983,687	15,320,486
Profit for the period	2,541,408	2,199,750
Dividends	(595,082)	(536,549)
Shareholders' funds at 26 December 2004	18,930,013	16,983,687

CASTLE LEISURE LIMITED
NOTES TO THE FINANCIAL STATEMENTS
52 WEEKS ENDED 26 DECEMBER 2004

20 GROSS CASH FLOWS

	52 weeks ended 26 December 2004 £	52 weeks ended 28 December 2003 £
Returns on investments and servicing of finance		
Interest paid	(281,815)	(255,978)
	<u> </u>	<u> </u>
Capital expenditure		
Payments to acquire tangible fixed assets	(3,675,670)	(4,460,111)
Receipts from sales of tangible fixed assets	106,629	2,052,190
	<u> </u>	<u> </u>
	<u>(3,569,041)</u>	<u>(2,407,921)</u>
	<u> </u>	<u> </u>
Financing		
New loans	2,068,000	2,775,000
Loans repaid	(1,640,000)	(2,744,168)
	<u> </u>	<u> </u>
	<u>428,000</u>	<u>30,832</u>
	<u> </u>	<u> </u>

21 ANALYSIS OF CHANGES IN NET DEBT

	At 29 December 2003 £	Cash flows £	Other changes £	At 26 December 2004 £
Cash at bank and in hand	725,925	25,314	-	751,239
Debt due within 1 year	(840,000)	-	-	(840,000)
Debt due after 1 year	(4,368,952)	(428,000)	-	(4,796,952)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	(4,483,027)	(402,686)	-	(4,885,713)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

22 CAPITAL COMMITMENTS

At 26 December 2004 the company had entered into contracts for capital expenditure not provided for in these accounts amounting to approximately £401,500 (2003 - £505,563).

23 CONTINGENT LIABILITIES

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