

Castledene Leisure Limited

Report and Financial Statements

◆ *Year Ended 28 February 1999* ◆



COMPANY NO: 2546423

CASTLEDENE LEISURE LIMITED

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CASTLEDENE LEISURE LIMITED

COMPANY INFORMATION

Directors S J R Philpott
 M R Phillips (appointed 2 March 1998)

Secretary M R Buxton-Smith

Registered office The Arena
 Parkway West
 Cranford Lane
 Hounslow
 Middlesex
 TW5 9QA

Registered number 2546423

Auditors Ernst & Young
 1 Lambeth Palace Road
 London
 SE1 7EU

CASTLEDENE LEISURE LIMITED

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements for the year ended 28 February 1999.

Principal activities

The principal activity of the Company is the provision of sports facilities.

Business review and results for the period

The Company has made an after tax profit of £591,000 in the year (1998: £665,000).

The directors do not recommend the payment of a dividend and as a result the profit for the year is transferred to reserves.

Fixed assets

The movement in the fixed asset account is set out in note 7 to the financial statements.

Directors

The directors of the Company during the year and up to the date of this report are set out on page 1.

Directors' interests

According to the register maintained as required under the Companies Act 1985, the beneficial interests of the directors in shares and options over the ordinary shares in the holding company, Whitbread PLC including shares under the Whitbread PLC Share Ownership Scheme are as follows:

Ordinary Shares	<u>28 February 1999</u>	<u>1 March 1998</u>
		<u>or date of appointment</u>
Stephen Philpott	615	4,429
Mark Phillips *	613	1,268

* Appointed 2 March 1998

REPORT OF THE DIRECTORS**(Continued)****Options over ordinary shares**

During the period the following movements in options over the ordinary share capital of the holding company, Whitbread PLC, took place:-

	Options held at 01.03.98 or date of appointment		Options granted		Options exercised		Options held at 28.02.99
			Number	Price (p)	Number	Price (p)	
Stephen Philpott	84,800	(a)	5,500	1,027	-	-	90,300
	2,701	(b)	-	-	-	-	2,701
	8,298	(c)	7,068	-	-	-	15,366
Mark Phillips	16,100	(a)	5,500	1,027	-	-	21,600
	2,503	(b)	528	638.3	-	-	3,031

- (a) the Executive Share Option Scheme
- (b) the Savings Related Share Option Scheme
- (c) the Long Term Incentive Plan

Details of the performance criteria for the Long Term Incentive Plan are set out in the Whitbread PLC annual report and accounts for 1998/99.

Year 2000 compliance

A significant risk analysis has been performed to determine the impact of the Year 2000 issue on all our activities. From this, prioritised action plans have been developed which are designed to address the key risks in advance of critical dates and without disruption to the underlying business. Priority has been given to those systems which could cause a significant financial or legal impact on the Company's business if they were to fail. The risk analysis also considers the impact on our business of Year 2000 related failures by our significant suppliers and customers. In appropriate cases we have initiated formal communication with these other parties.

Given the complexity of the problem, it is not possible for any organisation to guarantee that no Year 2000 problems will remain. However, the Board believes that it will achieve an acceptable state of readiness and has also provided resources to deal promptly with significant subsequent failures or issues that might arise.

The cost of implementing the action plans will be subsumed into the recurring activities of the parent company, David Lloyd Leisure Limited. Revenue costs of £26,000 are expected to be incurred by David Lloyd Leisure Limited during 1999.


CASTLEDENE LEISURE LIMITED

REPORT OF THE DIRECTORS (Continued)

Auditors

Ernst & Young have expressed their willingness to continue in office as auditors of the company.

The report of the directors was approved by the Board on 3 September 1999 and signed on its behalf by:



Director

STATEMENT OF RESPONSIBILITIES OF DIRECTORS

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 these financial statements, the directors have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- followed applicable accounting standards; and
- prepared the financial statements on the going concern basis.

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.

AUDITORS' REPORT TO THE SHAREHOLDERS OF CASTLEDENE LEISURE LIMITED

We have audited the financial statements on pages 7 to 16 which have been prepared on the basis of the accounting policies set out on pages 9 and 10.

Respective responsibilities of directors and auditors

As described on page 5 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

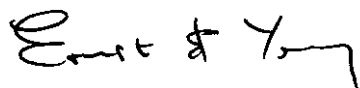
Basis of opinion

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 28 February 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor

London

3/9/1999

CASTLEDENE LEISURE LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 28 February 1999	Notes	1998/9 £'000	1997/8 £'000
Turnover: continuing operations	2	1,890	1,823
Cost of sales		(598)	(530)
Gross profit		1,292	1,293
Administration and other costs		(467)	(414)
Operating profit: continuing operations	3	825	879
Profit before taxation		825	879
Taxation	6	(234)	(214)
Retained profit for the period	13	591	665

There were no recognised gains or losses other than those reported above.

CASTLEDENE LEISURE LIMITED

BALANCE SHEET

28 February 1999	Notes	1999 £'000	1998 £'000
Fixed assets			
Tangible assets	7	3,878	3,887
Current assets and liabilities			
Stocks	8	4	4
Cash at bank and in hand		-	3
		4	7
Creditors: amounts falling due within one year	9	(1,549)	(2,034)
Net current liabilities		(1,545)	(2,027)
Total assets less current liabilities		2,333	1,860
Creditors: amounts falling due after more than one year	10	-	(118)
Net assets		2,333	1,742
Capital and reserves			
Called up share capital	12	200	200
Revaluation reserve	13	966	966
Profit and loss account	13	1,167	576
Equity shareholders' funds	14	2,333	1,742

The financial statements were approved by the Board on 3 Sept 1999 and signed on its behalf by:


Director M R PHILLIPS

NOTES TO THE FINANCIAL STATEMENTS

28 February 1999

1. ACCOUNTING POLICIES

Accounting Convention

The financial statements are prepared in accordance with applicable accounting standards under the historical cost convention as modified by the revaluation of certain land and buildings. The Company is exempt from preparing a cash flow statement as it is a wholly owned subsidiary of an EC parent company.

The accounts have been prepared on the going concern basis because the parent company has confirmed that it will provide funds to enable the company to meet its liabilities as they fall due.

Turnover

Turnover comprises membership subscriptions, enrolment fees, facilities income, and bar and restaurant income exclusive of value added tax.

Subscriptions are accounted for on an accruals basis being credited to income in the period to which they relate. Subscriptions received prior to the period to which they relate are recorded as deferred income. Enrolment fees are non refundable and are taken to income in the period in which they are received. Life membership subscriptions are spread evenly over five years.

Development costs

Advertising and promotion expenditure incurred before the opening of a club is written off in the year in which the club is opened.

Interest capitalisation

Interest on loans taken out specifically for the development of new clubs is capitalised during the period of construction and included in the cost of these clubs.

Depreciation

Depreciation is provided on all tangible fixed assets in use at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life on the following bases:

Long leasehold land and buildings	nil
Fixtures, furniture, plant and equipment	10% per annum on cost

Whilst it is the Company's policy to depreciate fixed assets, the nature of the retail trade requires that in order to protect that trade, retail premises are maintained in such a state of repair that their residual value is at least equal to their book amounts based on prices prevailing at the date of acquisition or subsequent revaluation.

NOTES TO THE FINANCIAL STATEMENTS

28 February 1999

1. ACCOUNTING POLICIES (Continued)

Leased assets

The rental costs arising from operating leases are charged against operating profit as they arise.

Where assets are financed by hire purchase agreements the assets are included in the balance sheet at cost less depreciation in accordance with the Company's normal accounting policies. The present value of future rentals is shown as a liability. The interest element of rental obligations is charged to the profit and loss account over the period of the agreement in proportion to the balance of capital repayments outstanding.

Government grants

Government grants are taken to deferred income when received and released to profit and loss in order to match the nature of the expenditure to which they relate.

Stocks

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

Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred or accelerated because of timing difference between the treatment of certain items for accounting and taxation purposes. Provision for deferred taxation is made under the liability method only to the extent that it is probable that the liability will become payable in the foreseeable future.

Deferred taxation liabilities are expected to be deferred for some considerable period. Deferments principally arise as a consequence of the availability of the level of tax allowances for fixed asset expenditure. In establishing the likelihood of expected deferment the directors undertake an annual review as at the balance sheet date of expected future levels of capital expenditure.

2. TURNOVER

All the Company's turnover has been earned in the United Kingdom.

CASTLEDENE LEISURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

28 February 1999

3. PROFIT AND LOSS ACCOUNT DETAILS

Operating loss is stated after charging:

	1998/9 £'000	1997/8 £'000
Depreciation (note 7)	141	133
Operating lease rentals:		
Hire of plant and machinery	14	7
Property	15	15
Audit fees	2	2
Staff costs (note 5)	488	421

4. DIRECTORS' EMOLUMENTS

There were no emoluments paid to the Directors during the year (1997/8 - nil).

5. STAFF COSTS AND NUMBERS

	1998/9 £'000	1997/8 £'000
Wages and salaries	457	385
Social security costs	31	36
	488	421

	1998/9		1997/8	
	<u>Full-time</u>	<u>Part-time</u>	<u>Full-time</u>	<u>Part-time</u>
The average number of persons employed in the company was as follows:				
Facilities management	37	23	28	38

NOTES TO THE FINANCIAL STATEMENTS
28 February 1999

6. TAXATION

	1999	1998
	£'000	£'000
Current taxation on profits for the year		
UK Corporation Tax at 31% (1997/8: 31.17%)	234	214

7. TANGIBLE FIXED ASSETS

	Land and buildings £'000	Plant and machinery £'000	Total £'000
Cost or valuation 1 March 1998	3,552	1,210	4,762
Additions	98	38	136
Disposals	-	(9)	(9)
Cost or valuation 28 February 1999	3,650	1,239	4,889
Depreciation 1 March 1998	-	(875)	(875)
Depreciation for the period	-	(141)	(141)
Disposals	-	5	5
Depreciation 28 February 1999	-	(1,011)	(1,011)
Net book amounts 28 February 1999	3,650	228	3,878
Net book amounts 1 March 1998	3,552	335	3,887

NOTES TO THE FINANCIAL STATEMENTS**28 February 1999****7. TANGIBLE FIXED ASSETS (Continued)**

The Company's properties, which are all long leasehold, were revalued in August 1995 at open market value for the purpose of their existing use. The valuation was carried out by Sanderson Townend & Gilbert, Chartered Surveyors.

If this and previous revaluations had not taken place, the net book amounts of fixed assets would have been:

	Land and buildings £'000	Plant and machinery £'000	Total £'000
Cost	2,684	1,239	3,923
Depreciation	-	(1,011)	(1,011)
Net book amounts 28 February 1999	2,684	228	2,912
Net book amounts 1 March 1998	2,586	335	2,921

Cost or valuation of properties	1999 £'000	1998 £'000
As valued August 1995	2,000	2,000
At cost	1,650	1,522
	3,650	3,552

NOTES TO THE FINANCIAL STATEMENTS**28 February 1999****8. STOCKS**

	1999 £'000	1998 £'000
Food and bar	<u>4</u>	<u>4</u>

The estimated replacement cost of stocks is not materially different from the above carrying values.

9. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999 £'000	1998 £'000
Amounts owed to group undertakings	<u>1,275</u>	<u>1,689</u>
Corporation Tax	234	214
Other creditors	40	131
	<u>1,549</u>	<u>2,034</u>

10. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1999 £'000	1998 £'000
Other loans	<u>-</u>	<u>118</u>

NOTES TO THE FINANCIAL STATEMENTS

28 February 1999

11. OTHER FINANCIAL COMMITMENTS

At 28 February 1999 the company had annual commitments under non-cancellable operating leases as set out below:

	<u>Land & Buildings</u>	
	<u>1999</u>	<u>1998</u>
	<u>£'000</u>	<u>£'000</u>
In over five years	<u>16</u>	<u>15</u>
	<u>16</u>	<u>15</u>

12. SHARE CAPITAL

	<u>Authorised</u>		<u>Allotted, called up and fully paid</u>	
	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Equity share capital				
Ordinary shares of 10p	<u>500</u>	<u>500</u>	<u>200</u>	<u>200</u>

At 28 February 1999 there were 2,000,000 shares in issue (1998 - 2,000,000)

13. RESERVES

	<u>Revaluation reserve £'000</u>	<u>Profit & loss account £'000</u>	<u>Total £'000</u>
1 March 1998	<u>966</u>	<u>576</u>	<u>1,542</u>
Profit retained	<u>-</u>	<u>591</u>	<u>591</u>
28 February 1999	<u>966</u>	<u>1,167</u>	<u>2,133</u>

CASTLEDENE LEISURE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

28 February 1999

14. SHAREHOLDERS' FUNDS

	1999 £'000	1998 £'000
Movements in shareholders' funds		
Shareholders' funds at 1 March	1,742	1,077
Retained profit for the period	591	665
Shareholders' funds at 28 February	2,333	1,742

15. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption in FRS8 from disclosing transactions with related parties that are part of the Whitbread Group.

16. ULTIMATE PARENT COMPANY

At 28 February 1999, the company was a wholly owned subsidiary of David Lloyd Leisure Limited. The ultimate parent company, at the same date, was Whitbread PLC, a company incorporated in the United Kingdom. Copies of the Group financial statements are available from the Company Secretary of Whitbread PLC at Chiswell Street, London EC1Y 4SD.