

CASTLEDENE LEISURE LIMITED

Report and Financial Statements

Year ended 4 March 2004



Castledene Leisure Limited

Registered Number 2546423

DIRECTORS

E Dodd	(appointed 1 June 2004)
MRC Fearn	(resigned 1 June 2004)
S Miller	
GC Wright	

SECRETARY

EA Thorpe	(resigned 30 January 2004)
SW Weeks	(appointed 30 January 2004)

AUDITORS

Ernst & Young LLP
1 More London Place
London
SE1 2AF

REGISTERED OFFICE

Whitbread House
Park Street West
Luton
Bedfordshire
LU1 3BG

Castledene Leisure Limited

REPORT OF THE DIRECTORS

The directors present their report and audited financial statements for the year ended 4 March 2004.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the Company is the provision of sport facilities. There has been no change in this activity during the year.

RESULTS AND DIVIDENDS

The profit for the year after tax amounted to £961,000 (2003 - £890,000). No interim dividend was paid during the year (2003 - £500,000); the directors do not recommend the payment of a final dividend (2003 - £nil).

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The directors are satisfied with the results for the year and expect profitability to be sustained for the foreseeable future.

DIRECTORS AND THEIR INTERESTS


The directors who served during the year ended 4 March 2004 are listed on page 1. None of the directors had any beneficial interest in the shares of the Company.

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 disclosed in the accounts of Whitbread PLC (S Miller) and David Lloyd Leisure Limited (MRC Fearn and GC Wright).

AUDITORS

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

The report of the directors was approved by the board on 22 JULY 2004 and signed on its behalf by:



Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
FINANCIAL STATEMENTS

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 judgements and estimates that are reasonable and prudent; and
- 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 to 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.

Castledene Leisure Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CASTLEDENE LEISURE LIMITED

We have audited the Company's financial statements for the year ended 4 March 2004, which comprise the Profit and Loss Account, Note of Historical Cost Profits and Losses, Balance Sheet and the related notes 1 to 17. These financial statements have been prepared on the basis of 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

As described in the Statement of Directors' Responsibilities, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

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.

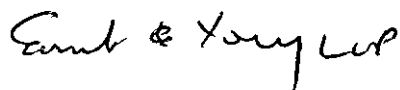
BASIS OF AUDIT OPINION

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 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 4 March 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
London

22 July 2004

Castledene Leisure Limited

PROFIT & LOSS ACCOUNT for the year ended 4 March 2004

		2004	2003 (restated)
	note	£000	£000
TURNOVER	(2)	3,075	2,962
Cost of sales		(145)	(146)
GROSS PROFIT		2,930	2,816
Distribution costs		(1,544)	(1,530)
OPERATING PROFIT	(3)	1,386	1,286
Tax on profit on ordinary activities	(7)	(425)	(396)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		961	890
Dividends	(8)	-	(500)
RETAINED PROFIT FOR THE FINANCIAL YEAR	(13)	961	390

There are no recognised gains or losses or movements in shareholders' funds other than those reported above.

Castledene Leisure Limited

NOTE OF HISTORICAL COST PROFITS AND LOSSES
for the year ended 4 March 2004

	2004	2003
	£000	£000
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1,386	1,286
Difference between the historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	9	9
	<hr/>	<hr/>
HISTORICAL COST PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1,395	1,295
	<hr/>	<hr/>
HISTORICAL COST RETAINED PROFIT	970	399
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Castledene Leisure Limited

BALANCE SHEET

as at 4 March 2004

	note	2004 £000	2003 £000
FIXED ASSETS			
Tangible assets	(9)	5,151	4,446
CREDITORS: amounts falling due within one year			
	(10)	(593)	(875)
TOTAL ASSETS LESS CURRENT LIABILITIES			
		4,558	3,571
PROVISIONS FOR LIABILITIES AND CHARGES			
	(11)	(285)	(259)
NET ASSETS			
		4,273	3,312
CAPITAL AND RESERVES			
Called up share capital	(12)	200	200
Revaluation reserve	(13)	921	930
Profit and loss account	(13)	3,152	2,182
EQUITY SHAREHOLDERS' FUNDS			
	(14)	4,273	3,312

The financial statements were approved by the board on ... 22 July 2004 ... and signed by:



Director

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 4 March 2004

1) ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted by the directors are described below.

Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable Accounting Standards.

Changes to accounting policies

The profit and loss account has been adjusted to reflect the current profile of the Company's business, which is predominantly a retail business. The major change is that costs of operating health and fitness clubs are now classified as distribution costs, whereas previously they were classified as either costs of sale or administrative expenses. Comparative figures have been restated accordingly. The effect on the 2003 numbers has been to reduce cost of sales by £760,000, reduce administrative expenses by £770,000 and increase distribution costs by £1,530,000. There is no effect on operating profit.

Turnover

Turnover comprises: joining fees; membership subscriptions; facilities income; and bar and restaurant income exclusive of value added tax.

Joining fees are non-refundable and are recognised in the accounting period in which they are received. Subscriptions are released to the profit and loss account over the period to which they relate. Subscriptions received prior to the period to which they relate are recorded as deferred income. Life membership subscriptions are released to the profit and loss account evenly over five years.

Leases

Rental payments in respect of operating leases are charged against operating profit on a straight line basis over the period of the lease.

Tangible fixed assets and depreciation

Prior to the adoption of FRS 15 in the financial year ended 5 March 2000, properties were regularly revalued on a cyclical basis. Since the adoption of FRS 15, the Company policy has been not to revalue its properties.

Consequently, the transitional provision of FRS 15 have been applied and, while previous valuations have been retained, they have not been updated. Other fixed assets are stated at cost.

The costs or valuation of fixed assets is written off on a straight line basis over their expected useful economic lives as follows:

- freehold land is not depreciated;
- freehold buildings are depreciated to their estimated residual values over a period not exceeding 50 years;
- long leasehold properties are depreciated to their estimated residual values over the shortest of: 50 years; their useful economic lives; or their remaining lease periods;
- fixtures, furniture and equipment are depreciated over a period of three to 20 years.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 4 March 2004

1) ACCOUNTING POLICIES (continued)

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not been reversed by the balance sheet date. Deferred taxation is not recognised where an asset is sold if it is more likely than not that the taxable gain will be rolled over. Deferred taxation assets are recognised to the extent that they are regarded as recoverable. Provisions for deferred taxation are not discounted. Deferred tax assets and liabilities are calculated using the tax rates that have been enacted or substantively enacted at the balance sheet date.

Pensions

The Company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme. The assets of the scheme are invested and managed independently of the finances of the Company.

Cash flow statement

Under the provision of FRS 1 (revised), the Company is exempt from preparing a cash flow statement as it is a wholly owned subsidiary of an EC parent company.

2) TURNOVER

The Company's turnover is solely derived from continuing health and leisure activities in the United Kingdom.

3) OPERATING PROFIT

Operating profit is stated after charging:

		2004	2003
	note	£000	£000
Depreciation of tangible fixed assets	(9)	238	245
Loss on disposal of fixed assets		3	25
Rentals under operating leases - property		15	17
Hire of plant and machinery		4	5
		<u>260</u>	<u>292</u>

Audit fees are borne by the parent company, David Lloyd Leisure Limited.

4) DIRECTORS' REMUNERATION

None of the directors received any remuneration from the Company in respect of their services as directors.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 4 March 2004

5) STAFF COSTS AND NUMBERS

	2004	2003
	£000	£000
Wages and salaries	726	718
Social security costs	50	44
Pension costs	8	12
	<u>784</u>	<u>774</u>

The average number of persons employed by the Company during the year was as follows:

	2004	2003
	Number	Number
Full-time	38	42
Part-time	42	39
	<u>80</u>	<u>81</u>

6) PENSION COMMITMENTS

Employees of the Company are entitled to participate in the pension scheme operated by Whitbread PLC, the Whitbread Group Pension Fund. This scheme was closed to new members on 31 December 2001. There was also a defined contribution scheme available to employees, operated by Whitbread PLC, which was also closed to new members on 31 December 2001. Both schemes are funded and contributions by both employees and group companies are held in externally invested trustee administered funds. Members of these schemes are contracted out of the State earnings Related Pension Scheme. Employees of the Company are entitled to participate in a replacement, contracted-in, defined contribution arrangement which was established by Whitbread PLC as a section of the Whitbread Group Pensions fund with effect from 1 April 2002.

Pension contributions are based on costs across all group companies within the schemes. The pension charge in the accounts is equivalent to the contributions payable to the schemes.

Details of the actuarial valuation of the Whitbread Group Pension Fund are contained in the accounts of Whitbread PLC.

The Company is unable to identify its share of the underlying assets and liabilities in the Whitbread Group Pension Fund as the scheme also covers employees of other Whitbread companies. Information concerning the assets and liabilities of the scheme calculated in accordance with FRS 17 can be found in the Whitbread PLC Report and Financial Statements for the year ended 4 March 2004.

Castledene Leisure Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 4 March 2004

7) TAX ON PROFIT ON ORDINARY ACTIVITIES

Analysis of charge for the year	2004 £000	2003 £000
UK Corporation Tax based on profit for the year	399	388
Deferred tax	26	8
	<u>425</u>	<u>396</u>

Factors affecting the tax charge for the year	2004 £000	2003 £000
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Profit before tax	<u>1,386</u>	<u>1,286</u>
Tax at current UK Corporation Tax rate of 30% (2003 – 30%)	416	386
<i>Effect of:</i>		
Accelerated capital allowances	(48)	(15)
Depreciation on land and buildings	9	8
Other	22	9
	<u>399</u>	<u>388</u>

8) DIVIDENDS

	2004 £000	2003 £000
Interim dividend of 25 pence per share paid in 2003	<u>-</u>	<u>500</u>

Castledene Leisure Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 4 March 2004

9) TANGIBLE FIXED ASSETS

	Land and buildings	Furniture, fixtures and equipment	Total
	£000	£000	£000
<i>Cost or valuation</i>			
As at 2 March 2003	2,886	3,399	6,285
Additions	338	677	1,015
Disposals	-	(179)	(179)
As at 4 March 2004	3,224	3,897	7,121
<i>Depreciation</i>			
As at 2 March 2003	(108)	(1,731)	(1,839)
Depreciation for the year	(29)	(209)	(238)
Disposals	-	107	107
As at 4 March 2004	(137)	(1,833)	(1,970)
<i>Net book value</i>			
As at 4 March 2004	3,087	2,064	5,151
As at 2 March 2003	2,778	1,668	4,446

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 4 March 2004

9) TANGIBLE FIXED ASSETS (continued)

Up to and including 1999 it was the Company policy to revalue its UK properties, other than leasehold properties with a remaining term of less than 20 years. In 2000 the Company adopted FRS 15 (Tangible Fixed Assets). The transitional provisions of FRS 15 were applied and, whilst previous revaluations have been retained, they have not been updated. As from 2000, it has been Company policy not to revalue fixed assets.

If the revaluations up to 1999 had not taken place, the net book value of fixed assets would have been:

	Land and buildings £000	Furniture, fixtures and equipment £000	Total £000
Cost	2,257	3,897	6,154
Aggregate depreciation based on cost	(91)	(1,833)	(1,924)
Net book value as at 4 March 2004	2,166	2,064	4,230
Net book value as at 2 March 2003	1,848	1,668	3,516

Net book value of property	Freehold £000	Long leasehold £000	Short leasehold £000	Total £000
Net book value as at 4 March 2004	-	3,087	-	3,087
Net book value as at 2 March 2003	-	2,778	-	2,778

Cost or valuation of properties	2004 £000	2003 £000
1996	2,000	2,000
Property never revalued	1,224	886
	3,224	2,886

Castledene Leisure Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 4 March 2004

10) CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004	2003
	£000	£000
Amounts owed to group undertakings	194	487
Corporation tax	399	388
	<u>593</u>	<u>875</u>

11) PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation

	2004	2003
	£000	£000
Opening balance	259	251
Deferred taxation charge for the year	26	8
	<u>285</u>	<u>259</u>

12) SHARE CAPITAL

	2004	2003
	£	£
<i>Authorised</i>		
2,000,000 ordinary shares of 10 pence each	<u>200,000</u>	<u>200,000</u>
<i>Called up, allotted and fully paid</i>		
2,000,000 ordinary shares of 10 pence each	<u>200,000</u>	<u>200,000</u>

Castledene Leisure Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 4 March 2004

13) STATEMENT OF MOVEMENTS ON RESERVES

	Revaluation reserve	Profit and loss account	Total
	£000	£000	£000
As at 2 March 2003	930	2,182	3,112
Realised revaluation surplus transferred to the profit and loss account	(9)	9	-
Retained profit for the year	-	961	961
As at 4 March 2004	921	3,152	4,073

14) RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2004	2003
	£000	£000
Opening shareholders' funds	3,312	2,922
Profit earned for ordinary shareholders	961	890
Dividends	-	(500)
Closing shareholders' funds	4,273	3,312

Castledene Leisure Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 4 March 2004

15) OPERATING LEASE COMMITMENTS

As at 4 March 2004, the Company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings	
	2004	2003
	£000	£000
<i>Leases which expire:</i>		
In over five years	17	17
	<u>17</u>	<u>17</u>

16) RELATED PARTY TRANSACTIONS

The Company is a wholly owned indirect subsidiary of Whitbread PLC and has taken advantage of the exemption given in FRS 8 not to disclose transactions with other group companies.

17) ULTIMATE PARENT UNDERTAKING

As at 4 March 2004, the Company was a wholly owned subsidiary of David Lloyd Leisure Limited. At the same date, the ultimate parent company was Whitbread PLC, a company incorporated in the United Kingdom.

Copies of the group accounts are available from the Company Secretary of Whitbread PLC at 25th Floor, CityPoint, One Ropemaker Street, London, EC2Y 9HX.