

The Isle Casinos Limited
(formerly Isle of Capri Casinos Limited)

FINANCIAL STATEMENTS

for the period ended

30 April 2006

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COMPANIES HOUSE

Company Registration No 4584366

**The Isle Casinos Limited (formerly Isle of Capri Casinos
Limited)**
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The Isle Casinos Limited (formerly Isle of Capri Casinos Limited)

OFFICERS AND ADVISORS

COMPANY NUMBER

04584366

DIRECTORS

J Brackenbury

B Goldstein

A B Solomon

CO - SECRETARIES

DLC Company Services Limited

G Guida

REGISTERED OFFICE

Ricoh Arena

Phoenix Way

Foleshill

Coventry

CV6 6GE

AUDITORS

Ernst & Young LLP

No 1 Colmore Square

Birmingham

B4 6HQ

BANKERS

Bank of Scotland

4th Floor

New Uherior House

11 Earl Grey Street

Edinburgh

EH3 9BN

The Isle Casinos Limited (formerly Isle of Capri Casinos Limited)

DIRECTORS' REPORT

The directors present their report and the financial statements for the 53 week period ended 30 April 2006

PRINCIPAL ACTIVITY

The principal activity of the company is that of a casino operator

On 8 March 2007 the company changed its name from Isle of Capri Casinos Limited to The Isle Casinos Limited.

REVIEW OF THE BUSINESS, FUTURE OUTLOOK AND STRATEGY

As of April 30, 2006 the company was in the process of developing a new casino project in Coventry, England as part of the new Ricoh Arena and Convention Center development

On 6 July 2007, the company opened "the Isle Casino at Coventry" located in England. The property features 70 electronic gaming machines, over 40 table games including poker, as well as the company's signature steakhouse Farradays, a Tradewinds Marketplace, a private dining club and three bars including Lady G's, an entertainment venue, as well as Club 87 sports bar. Project costs for the leased space include design, architectural, mechanical and electrical build out construction and design. Total project costs are estimated to be approximately £45.2 million

The trading loss of £6,314,000 primarily relates to administrative costs including lease expense incurred prior to the commencement of operations.

As an industry, the UK casino industry has expected the Government to clarify its position regarding the changes proposed under the Gambling Act 2005, particularly the number and location of the 17 new casinos. Locations were proposed by the independent Casino Advisory Panel, but the sites were not agreed by the House of Lords and at the moment the fate of these new casinos remains in abeyance

The company, in conjunction with its parent company, continues to investigate new developments in hi-tech gaming equipment and products and introduces them to the business to improve efficiency and services to customers

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the company include the possibility that the company is unable to improve the operating results of the casino property to an acceptable level. Also included are changes caused by Government legislation on gaming in particular, and also the ban on smoking in public places effective 1 July 2007. Experience from similar businesses in Scotland, where the ban was implemented last year show that attendance may be affected by the ban. The company has taken every step it can to mitigate the effects of these risks.

KEY PERFORMANCE INDICATORS

Given the phase of development of the business by 30 April 2006, the company's directors are of the opinion that analysis using KPI's is inappropriate at present.

The Isle Casinos Limited (formerly Isle of Capri Casinos Limited)

DIRECTORS' REPORT (continued)

DONATIONS

During the period the group donated £105,000 (2005 £100,000) to charitable organisations, all of which were in the UK. There were no political donations made in the period.

DIRECTORS

The directors who served during the period and subsequently are as stated below:

J Brackenbury
C B Brammer (appointed 1 May 2006, resigned 17 November 2007)
B Goldstein
T M Hinkley (resigned 27 July 2007)
A B Solomon

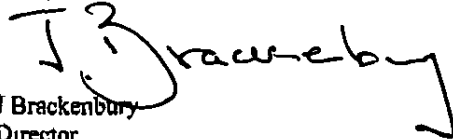
AUDITORS

A resolution to reappoint Ernst & Young LLP as the company's auditor will be put to the forthcoming Annual General Meeting.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

On behalf of the board


J Brackenbury
Director

~~20 December 2007~~

15 January 2008

The Isle Casinos Limited (formerly Isle of Capri Casinos Limited)

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent,
- c. 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 requirements of 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE ISLE CASINOS LIMITED (FORMERLY ISLE OF CAPRI CASINOS LIMITED)

We have audited the company's financial statements for the 53 weeks ended 30 April 2006 which comprise the Profit and Loss Account, Balance Sheet, Accounting Policies and the related notes 1 to 18. 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 are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as 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 International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 International Standards on Auditing (UK and Ireland) 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.

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 April 2006 and of its loss for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.


Ernst & Young LLP

Registered Auditor

Birmingham

Dated 15 January 2008

The Isle Casinos Limited (formerly Isle of Capri Casinos Limited)

PROFIT AND LOSS ACCOUNT
for the period ended 30 April 2006

	<i>Notes</i>	53 weeks 2006 £'000	52 weeks 2005 £'000
Administrative expenses		(4,812)	(4,984)
OPERATING LOSS	1	(4,812)	(4,984)
Amounts written off fixed asset investments		-	(5,342)
Bank interest receivable		-	412
Interest payable	2	(289)	-
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(5,101)	(9,914)
Taxation	5	(1,213)	1,219
RETAINED LOSS FOR THE PERIOD	13	(6,314)	(8,695)

The operating loss for the year arises from the company's continuing operations

No separate Statement of Total Recognised Gains and losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account.

The Isle Casinos Limited (formerly Isle of Capri Casinos Limited)

BALANCE SHEET 30 April 2006

	Notes	30 April 2006 £'000	24 April 2005 £'000
FIXED ASSETS			
Tangible assets	6	14,261	4,392
Investments	7	-	-
		<u>14,261</u>	<u>4,392</u>
CURRENT ASSETS			
Debtors	8	8,511	5,890
Cash at bank and in hand		128	6,052
		<u>8,639</u>	<u>11,942</u>
CREDITORS' Amounts falling due within one year	9	<u>(6,785)</u>	<u>(1,025)</u>
NET CURRENT ASSETS		<u>1,854</u>	<u>10,917</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>16,115</u>	<u>15,309</u>
CREDITORS' Amounts falling due after more than one year	10	<u>(31,110)</u>	<u>(23,990)</u>
NET LIABILITIES		<u>(14,995)</u>	<u>(8,681)</u>
CAPITAL AND RESERVES			
Called up share capital	12	-	-
Profit and loss account	13	(14,995)	(8,681)
SHAREHOLDERS' DEFICIT	13	<u>(14,995)</u>	<u>(8,681)</u>

Debtors include £5,104,000 (2005 £3,963,000) which fall due after more than one year.

The financial statements on pages 6 to 16 were approved by the board of directors and authorised for issue on ~~28 December 2007~~ and are signed on its behalf by

15 January 2008

J Brackenbury
Director

The Isle Casinos Limited (formerly Isle of Capri Casinos Limited)

ACCOUNTING POLICIES

FUNDAMENTAL ACCOUNTING CONCEPT

The financial statements have been prepared under the going concern concept because the parent undertaking has agreed to provide adequate funds for the company to meet its liabilities as they fall due for a period of at least one year from the date of approval of these accounts

ACCOUNTING CONVENTION

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. In the preceding year, the exemption from preparing group financial statements was not available to the company, and accordingly group financial statements were presented. The financial statements for the current year are for the company as a single entity, consequently comparative information has been amended where necessary

GROUP FINANCIAL STATEMENTS

The company has claimed the exemption conferred by section 228A of the Companies Act 1985, as a wholly owned subsidiary of Isle of Capri Casinos, Inc, which prepares group financial statements. Accordingly, these financial statements present information about the company and not its group

BORROWING COSTS

Borrowing costs directly attributable to the acquisition and construction of site development assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

All other borrowing costs are recognised in the profit and loss account in the period in which they are incurred.

FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost less depreciation. The company capitalises the cost of purchases of property and equipment and capitalises the cost of improvements to property and equipment that increases the value or extends the useful lives of the assets. Costs of normal repairs and maintenance are charged to expense as incurred.

Depreciation is computed using the straight-line method over the following estimated useful lives of the assets

	Years
Slot machines, software and computers	3-4
Furniture, fixtures and equipment	5-10
Leasehold improvements	Life of lease

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable

LEASES

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

INVESTMENTS

Fixed asset investments are stated at cost less provision for diminution in value.

The Isle Casinos Limited (formerly Isle of Capri Casinos Limited)

ACCOUNTING POLICIES (continued)

DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date, except that deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis

CASH FLOWS

Under Financial Reporting Standard 1 (revised 1996) the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements

ACCOUNTING PERIOD

The financial statements for the current period cover the 53 weeks to 30 April 2006. The comparatives cover the 52 weeks ended 24 April 2005

The Isle Casinos Limited (formerly Isle of Capri Casinos Limited)

NOTES TO THE FINANCIAL STATEMENTS for the period ended 30 April 2006

1	OPERATING LOSS	53 weeks	52 weeks
		2006	2005
		£'000	£'000
	Operating loss is stated after charging.		
	Auditors' remuneration - audit services (the company)	20	28
	- non audit services	3	3
		<u>23</u>	<u>31</u>
2	INTEREST PAYABLE	53 weeks	52 weeks
		2006	2005
		£'000	£'000
	Total interest charged by the parent company	642	-
	Interest capitalised (note 6)	(353)	-
		<u>289</u>	<u>-</u>
	Interest charged to profit and loss account	<u>289</u>	<u>-</u>
3	EMPLOYEES	53 weeks	52 weeks
		2006	2005
		No	No
	The average monthly number of employees during the period was as follows		
	Directors and management	6	6
		<u>6</u>	<u>6</u>
	EMPLOYEE COSTS		
	Wages and salaries	79	111
	Social security costs	12	26
		<u>91</u>	<u>137</u>

The Isle Casinos Limited (formerly Isle of Capri Casinos Limited)

NOTES TO THE FINANCIAL STATEMENTS for the period ended 30 April 2006

4	DIRECTORS' EMOLUMENTS	53 weeks 2006 £'000	52 weeks 2005 £'000
	Remuneration and other benefits	-	10
	Two directors exercised options in the ultimate parent undertaking during the year		
5	TAXATION	53 weeks 2006 £'000	52 weeks 2005 £'000
	Group relief receivable	-	(965)
	Prior year	959	-
	Current tax	959	(965)
	Deferred tax		
	Origination and reversal of timing differences	254	(254)
	Total tax charge/(credit)	1,213	(1,219)
	Factors affecting tax charge/(credit) for the year:		
	The tax assessed for the year is lower than the standard rate of corporation tax for companies 30% (2005: 30%) The differences are explained below:		
	Loss on ordinary activities before tax	(5,101)	(9,914)
	Loss on ordinary activities multiplied by the standard rate of corporation tax 30% (2005: 30%)	(1,530)	(2,974)
	Effects of:		
	Expenses not deductible for tax purposes	1,251	1,650
	Group relief surrendered at US rate of tax	-	(137)
	Short term timing differences at UK rates of tax	161	217
	Taxation losses carried forward to future periods	118	279
	Adjustment to tax charge in respect of previous period	959	-
	Current tax charge/(credit) for the period	959	(965)

The Isle Casinos Limited (formerly Isle of Capri Casinos Limited)

NOTES TO THE FINANCIAL STATEMENTS for the period ended 30 April 2006

5 TAXATION (continued)

Deferred taxation

A deferred taxation asset of £Nil (2005: £254,000) has been recognised by the group and the company in respect of short term timing differences

The company has losses available for offset against future taxable profits of £4,718,000 (2005: £4,324,000). The company has not recognised these as a deferred tax asset as there is not sufficient certainty that the company will have enough suitable taxable profits to offset these losses (See note 11)

6 TANGIBLE FIXED ASSETS

Short leasehold
improvements -
site
development
£'000

Cost:	
At 1 May 2005	4,392
Additions	9,869
	<hr/>
At 30 April 2006	14,261
	<hr/>
Depreciation:	
At 1 May 2005 and 30 April 2006	-
	<hr/>
Net book value	
30 April 2006	14,261
	<hr/>
30 April 2005	4,392
	<hr/>

The cost of site development includes capitalised interest of £353,000 (2005: £88,000). This has been capitalised at an annual rate of 10% (see note 10)

The Isle Casinos Limited (formerly Isle of Capri Casinos Limited)

NOTES TO THE FINANCIAL STATEMENTS for the period ended 30 April 2006

7	FIXED ASSET INVESTMENTS	Subsidiary undertakings £'000
	Cost	
	At 25 April 2005 and 30 April 2006	5,342
	Provision for diminution in value	
	At 25 April 2005 and 30 April 2006	(5,342)
	Net book value	
	At 30 April 2006 and 25 April 2005	-

The company owns 66.67% of the ordinary share capital of Blue Chip Casinos Plc, a company incorporated in England and Wales. The activity of Blue Chip Casinos Plc is that of a casino group. Blue Chip Casinos Plc owns 100% of the issued share capital of Casino Investments Limited, which owns group properties, Casinos Management Limited, which operates the casinos and Casinos Projects Limited, which organises new product development. These companies are registered in England and Wales.

The company has the option to require the minority shareholders to sell their shares to the company at fair value or at a price to be agreed upon. This option is available for a period of two years from the later of November 2008 or three years after the introduction of new gaming laws. If the company does not exercise its option, the minority shareholders have the right, during the one year period after the option expiration date, to require the company to purchase the minority shares at a fair value or at a price to be agreed upon.

Due to current uncertainty in current gaming legislation and the long term nature of this option, the impact of this obligation is not reasonably estimable at this time.

8	DEBTORS	2006 £'000	24 April 2005 £'000
	Prepayments and accrued income	5,704	4,006
	Deferred tax (notes 5 and 11)	-	254
	VAT recoverable	2,807	1,630
		<u>8,511</u>	<u>5,890</u>

Included in prepayments is an amount of £5,104,000 (2005: £3,963,000) in respect of rent for Coventry Arena, which falls due after more than one year.

The Isle Casinos Limited (formerly Isle of Capri Casinos Limited)

NOTES TO THE FINANCIAL STATEMENTS for the period ended 30 April 2006

9	CREDITORS. Amounts falling due within one year	2006	24 April 2005
		£'000	£'000
	Trade creditors	1,491	1,003
	Amount owed to group undertaking	5,236	-
	Corporation tax	-	6
	Accruals and deferred income	58	16
		<u>6,785</u>	<u>1,025</u>

10	CREDITORS. Amounts falling due after more than one year	2006	24 April 2005
		£'000	£'000
	Amounts owed to parent company	31,110	23,990
		<u>31,110</u>	<u>23,990</u>

Of the amounts owed to the parent company, £5,000,000 (2005 £5,000,000) represent non-interest bearing unsecured loans which are repayable within five years. The remaining £26,110,000 (2005 £18,990,000) represents an intercompany note payable, which is repayable after more than 5 years. Interest on the note began accruing as of the last fiscal quarter of 2006 at a nominal annual rate of 10%

11 DEFERRED TAXATION

	Provided 30 April 2006 £'000	Provided 24 April 2005 £'000	Not provided 30 April 2006 £'000	Not provided 24 April 2005 £'000
Short term timing differences	-	-	(1,670)	(1,670)
Tax losses	-	(254)	(1,416)	(1,297)
	<u>-</u>	<u>(254)</u>	<u>(3,086)</u>	<u>(2,967)</u>
				£'000
Balance at 24 April 2005				(254)
Transfer from profit and loss account				254
				<u>-</u>
Balance at 30 April 2006				<u>-</u>

The Isle Casinos Limited (formerly Isle of Capri Casinos Limited)

NOTES TO THE FINANCIAL STATEMENTS for the period ended 30 April 2006

12	SHARE CAPITAL	2006 £	24 April 2005 £
	Authorised Ordinary shares of £1 each	100	100
	Allotted, called up and fully paid Ordinary shares of £1 each	1	1
13	RECONCILIATION OF MOVEMENT ON SHAREHOLDERS' DEFICIT	Share capital £'000	Profit and loss account £'000
	At beginning of period	-	14
	Loss for the period	-	(8,695)
	At 1 May 2005	-	(8,681)
	Loss for the period	-	(6,314)
	At 30 April 2006	-	(14,995)
14	OPERATING LEASES		
	As set out in note 8 the company has prepaid rent for Coventry Arena. The commencement of the lease was 25 December 2005, with average annual rent expense over the first five years of the lease being approximately £888,000. The rent payable will be reduced by £396,000 per annum as a result of the prepaid rent.		
15	TRANSACTIONS WITH DIRECTORS AND OTHER RELATED PARTIES		
	As the company is a wholly owned subsidiary undertaking of Isle of Capri Casinos Inc., a company incorporated in the United States of America, which prepares published consolidated financial statements, the company has pursuant to paragraph 17 of FRS 8 "Related Party Disclosures" not included details of transactions with other companies which are subsidiaries or investees of the group.		
	There were no material transactions with Directors of The Isle Casinos Limited or other related parties during the period, which would require disclosure in these financial statements.		

The Isle Casinos Limited (formerly Isle of Capri Casinos Limited)

NOTES TO THE FINANCIAL STATEMENTS for the period ended 30 April 2006

16	CAPITAL COMMITMENTS	2006	24 April
		£'000	2005 £'000
	Capital expenditure contracted for but not provided in the financial statements	20,483	26,838

17 ULTIMATE CONTROLLING PARTY

The group is controlled by Isle of Capri Casinos, Inc

The parent undertaking of the only group for which consolidated accounts are prepared is Isle of Capri Casinos Inc, a company incorporated in the United States of America. Consolidated accounts are available from 600 Emerson Road, Suite 300, Saint Louis, Missouri, USA.

18 POST BALANCE SHEET EVENTS

On 6 July 2007, the company opened "the Isle Casino at Coventry" located in England. The property features 70 electronic gaming machines, over 40 table games including poker, as well as the company's signature steakhouse Farraddays, a Tradewinds Marketplace, a private dining club and three bars including Lady G's, an entertainment venue, as well as Club 87 sports bar. Project costs for the leased space include design, architectural, mechanical and electrical build out construction and design. Total project costs are estimated to be approximately £45.2 million.