

10 July 2003

STANLEY LEISURE plc
Preliminary results for the year ended 27 April 2003

Highlights

- Group turnover grew 35% to £1,001m (2002: £743m)
- Group profit before tax pre goodwill amortisation up 10% to £41.3m (2002: £37.5m)
- EPS pre goodwill amortisation up 7% to 24.1p (2002: 22.5p)
- Final dividend per share up 22% to 6.1p (2002: 5.0p) - total dividend for the year up 21% at 8.6p (2002: 7.1p)
- Revaluation surplus of £224m following five-yearly revaluation exercise

Gaming Division

- Turnover up 20% to £180m (2002: £150m)
- Profit before tax and goodwill amortisation up 9% to £36.7m (2002: £33.8m)
- Record performance by London casinos
- Uneven performance in provincial casinos as a result of changes made to prepare the estate for deregulation
- Star City in Birmingham, the biggest destination casino in the U.K., on course to open before Christmas

Betting Division

- Turnover up 38% to £821m (2002: £593m)
- Profit before tax down 5% to £20.3m (2002: £21.4m)
- Difficult trading conditions in the last quarter
- Continued strong turnover growth post anniversary of introduction of Gross Profits Tax
- First time impact of FOBTs on turnover

Leonard Steinberg, Chairman, comments: "I am pleased to report a further year of progress for Stanley Leisure despite difficult trading conditions in the last quarter of the year in both divisions. We have made significant changes to our gaming estate and are similarly preparing our betting estate to maintain our competitive position in readiness for deregulation."

ENQUIRIES:

Stanley Leisure plc
Bob Wiper, Chief Executive
Michael Riddy, Finance Director

Tel: 020 7796 4133 on Thursday 10 July only
Tel: 0151 237 6000 thereafter

Hudson Sandler Limited
Michael Sandler / Noémie de Andia

Tel: 020 7796 4133

Notes to Editors

Stanley Leisure plc is the largest casino operator in Great Britain, with 37 provincial casinos and four in London, including the prestigious world-renowned Crockfords. Stanley Leisure is also the fourth largest operator of licensed betting offices in the British Isles, with a portfolio of over 600 Stanley Racing shops. The Company has pursued a focused policy of expanding its betting and gaming divisions through organic growth and a steady acquisition programme. Stanley Leisure is regarded as one of the companies best placed to take advantage of the forthcoming deregulation of the gaming and betting industries.

The 41 Stanley casinos are located in:

Birmingham (2)	Luton (2)
Blackpool	Lytham St. Annes
Bolton	Manchester (3)
Bournemouth	Margate
Brighton	Newcastle
Bristol	Plymouth
Coventry (2)	Portsmouth
Derby (2)	Reading
Edinburgh (3)	Southampton
Glasgow	Southport
Great Yarmouth	Stoke-on-Trent
Leicester (2)	Torquay
Liverpool (2)	Walsall
London (4)	Wirral

CHAIRMAN'S STATEMENT

I am pleased to report a further year of progress for Stanley Leisure. This was achieved despite difficult trading in the last quarter of the year in both divisions. Turnover of over £1 billion and profit before taxation and goodwill amortisation of over £40m are significant milestones and we are proud to have achieved these figures.

Financial results

Group turnover increased 35% from £743m to just over £1 billion, at £1,001m. Profit before taxation rose from £35.8m to £39.5m, an increase of 10%. Profit before taxation and goodwill amortisation was also up 10%, from £37.5m to £41.3m; this consolidates our position following the significant 40% profit improvement on the same basis last year. Earnings per share rose 8% from 20.9p to 22.6p; before goodwill amortisation, the increase in earnings per share was 7% from 22.5p to 24.1p.

As a result of this performance and the continuing growth in profitability over the last few years we have decided to raise our proposed final dividend to 6.1p, up 22% on last year's 5.0p. The total dividend for the year is thus 8.6p, an increase of 21% on last year's 7.1p. This will be paid on 22 September 2003 to shareholders on the register on 22 August 2003.

At the year-end we have had a full professional revaluation of the Group's properties on an existing use basis, including the benefit of casino and betting office licences. This has resulted in a revaluation surplus of £224m, which has been credited to the revaluation reserve and strengthened our Balance Sheet.

Gaming

Turnover in the gaming division rose 20% from £150m to £180m. £15m of this increase came from the seven casinos we acquired in the early part of the year; excluding these acquisitions the turnover was up 10%. Profit before taxation and goodwill amortisation for the division rose 9% from £33.8m to £36.7m.

We had an uneven performance in our provincial casinos, partly as a result of a number of changes we made to the business. During the year, we began the process of preparing our provincial estate in anticipation of industry deregulation. We took the opportunity to roll out four new games across our estate: progressive casino stud poker, three card poker, Sic Bo (a dice game) and the Big Six Money Wheel. The initial customer reaction to these games has been very positive. In particular, progressive poker has been well received, producing a number of jackpot payouts in excess of £100,000. Interest in these progressive jackpots augurs well for the new gaming machine regime post-deregulation.

At the same time as introducing these games we invested in and implemented a new food offering, which is consistent across our provincial estate and is tailored to the needs of our gaming customers.

The benefits from these significant changes to the business did not materialise in the year; however, the estate is now repositioned and in the year ahead there are no further operational changes planned to deflect us from improving our profits once again.

Despite the issue outlined above we have again seen significant growth in some of our other key metrics. Average drop per head on a like for like basis increased 9% in the year from £180 to £197 (on top of a 23% increase last year) and our win margin improved as the new games deployed began positively to influence our margin mix. This also reflected the investment in improved CCTV coverage beginning to pay dividends. Core provincial casino profitability (excluding the acquisitions we made during the year) was in line with last year at £17.2m.

Our acquired casinos were among the most affected by the changes we made; the effect on profitability was marked, immediate and expected. However, the Tower casinos acquired in July 2002 (two casinos in Birmingham plus casinos in Blackpool, Derby and Reading) did recover their profitability levels in the fourth quarter of the year. The two smaller casino acquisitions we made in May 2002, in Luton and Brighton, also performed below expectations in the year for the same reasons, but it should be remembered that the Luton casino was a brand new casino where we are effectively building the business from scratch.

Our London casinos performed well and experienced another record year with an 18% increase in profitability from £17.1m to £20.2m. Our turnover growth was well above that of the London market and our average drop per head increased 11% from £1,170 to £1,298.

The net charge against profits for debt collectables for the year was £1.8m. Despite these collectables, the combination of top-line growth and a stable and settled cost base has reaffirmed our position as the most successful operator in the London market.

Betting

Turnover in the betting division increased by 38% from £593m to £821m. The increase in the first half of the year was 30%, driven primarily by the continuing effect of the change in taxation regime to Gross Profits Tax; the second half growth of 46% reflected the combination of continued significant growth beyond the anniversary of the tax change and the first time impact of high levels of turnover from the new Fixed Odds Betting Terminals (FOBTs). Over the last two years the division's turnover has grown by 70%. Average stake per slip also moved ahead by 13% from £6.16 to £6.93.

Profit before taxation was 5% below last year at £20.3m against £21.4m. As we reported in April we had a difficult Cheltenham Festival (which produced perhaps the worst set of results from our perspective for over 20 years) and the following two weeks showed no improvement. In the betting business, runs of good or bad luck are not unusual, but the size of the profit reduction against last year in these three weeks so near to our year-end gave us no chance to recover the shortfall in the remaining weeks of our financial year.

In keeping with the rest of the industry, diversifying the division's product mix is an integral part of our strategy. Our dependence on British horse racing continues to lessen with further growth in betting on football and other sports and the emergence of FOBTs.

At the half year we had 239 FOBTs deployed, rising to 576 at the year-end. Our aim is to increase this figure to beyond 1,000 during the new financial year. Our slow start in FOBTs was due to supply problems which will be rectified in the year ahead.

Our EPOS system is now rolled out across the whole estate apart from the Republic of Ireland and provides enhanced management information which will produce the anticipated cost savings. We refurbished or resited 18 shops in the year; this ongoing programme will accelerate as we prepare our estate for deregulation and we currently have 51 projects at various stages of completion.

Over the last few years we have been developing our betting business overseas. Profits from this area were strong, with both Italy and Croatia performing well, the latter declaring a dividend for the first time. In both countries it is early days, but we are very pleased with our international progress thus far.

The Board

I have decided, after consulting with my Board colleagues, to move from Executive Chairman to Non-Executive Chairman with effect from this year's Annual General meeting on 10 September 2003. Len Cowburn, our current Deputy Chairman, who has served as a Non-Executive Director since 1994, will retire at that date and Robert Waddington will become our Senior Independent Non-Executive Director. We wish Len good health and happiness in the future and are grateful for his contribution during his time on the Board.

I am delighted to be able to announce the appointment of Tim Weller as a Non-Executive Director with effect from 11 July 2003. Tim qualified as a Chartered Accountant with KPMG, became a partner in 1997, and is currently Group Finance Director of Innogy Holdings plc. Tim joined Innogy in January 2002 from Granada plc, where he worked for a number of years as Director of Financial Control. He has nothing to declare in relation to paragraphs 6.F. 2(b) to (g) of the Listing Rules. We look forward to welcoming Tim to our Board and to working with him in the years ahead.

Current trading and prospects

Our betting division has made a good start to the year. Turnover has continued to exceed expectations and results have been running more in our favour.

With effect from 16 May, approval has been given for AWP machines in our Jersey betting shops, with stakes and payouts the same as on the U.K. mainland. Progress to date has been satisfactory.

In gaming, our provincial estate has recovered from last year's changes; from the second quarter onwards we anticipate that profits should be above last year's levels.

However, in our London casinos, although turnover levels have been satisfactory, the win margin has been affected by some losses to major players. At this stage in our financial year there is every opportunity for this trend to change, but it should be remembered that in the first half of last year these casinos produced an exceptional result.

On 23 May 2003 we completed the acquisition of the Palm Beach casino in Mayfair, London from London Clubs International plc. The Palm Beach is a well-established, popular mid-market casino which has benefited from a £7m full structural refurbishment. We believe this casino will be an excellent addition to our portfolio, as it operates in a different market segment to our other London casinos.

Work on our state-of-the-art Star City casino development near Birmingham is continuing, with a view to opening before Christmas 2003. This casino will have a similar layout and formula to our successful new site in central Manchester, The Circus, but will be over twice the size in readiness for the upside from anticipated deregulation.

Although the position is unclear, it does appear that it is probable that the Gambling Bill will not be contained within the Queen's Speech this Autumn. However, we understand that Parliamentary drafting is continuing and were pleased to see that it has been agreed to appoint a Joint Committee from both the House of Commons and the House of Lords to consider and report on the draft Gambling Bill by 8 April 2004. This will give the entire industry an opportunity to comment on the Government's proposals. We are hopeful that a revised Bill will be published soon after that date, with the Government aiming to enact the Bill at an early opportunity thereafter.

I am also pleased to announce that we have signed a new banking agreement at an enhanced commitment level of £275m. This facility gives us the necessary funding to develop the business over the next few years. I believe we are ideally placed to meet the opportunities which deregulation will bring.

Leonard Steinberg
Chairman

Consolidated Profit and Loss Account
for the year ended 27 April 2003

	notes	Continuing operations £'000	Acquisitions £'000	2003 £'000	2002 £'000
Turnover	1	971,341	29,757	1,001,098	742,853
Cost of sales	1	(913,432)	(28,911)	(942,343)	(686,669)
Gross profit	1	57,909	846	58,755	56,184
Net operating expenses	1	(8,381)	9	(8,372)	(8,736)
Operating profit - pre goodwill amortisation		51,287	855	52,142	49,207
- goodwill amortisation		(1,759)	-	(1,759)	(1,759)
Operating profit	1	49,528	855	50,383	47,448
Income from interests in associated undertakings		413	-	413	-
Profit/(loss) on disposal of fixed assets		(108)	-	(108)	489
Profit on ordinary activities before interest	1	49,833	855	50,688	47,937
Net interest payable		(11,187)	-	(11,187)	(12,168)
Profit on ordinary activities before taxation		38,646	855	39,501	35,769
Taxation on profit on ordinary activities	2	(10,326)	-	(10,326)	(11,937)
Profit on ordinary activities after taxation		28,320	855	29,175	23,832
Minority equity interests		(1,214)	-	(1,214)	(235)
Profit for the year		27,106	855	27,961	23,597
Dividends	3	(11,438)	-	(11,438)	(8,044)
Retained profit for the year		15,668	855	16,523	15,553
EBITDA				64,290	58,216
Dividend per share	3			8.6p	7.1p
Basic earnings per share	4			22.6p	20.9p
Diluted earnings per share	4			22.4p	20.7p
Earnings per share before goodwill amortisation	4			24.1p	22.5p

Consolidated Balance Sheet
as at 27 April 2003

	2003 £'000	2002 £'000
Fixed assets		
Intangible assets - Goodwill	19,686	21,445
Tangible assets	759,587	462,751
Investments	268	71
	779,541	484,267
Current assets		
Stocks	1,325	1,352
Debtors	9,602	7,593
Investments	3	7
Cash at bank and in hand	13,995	18,191
	24,925	27,143
Creditors		
Amounts falling due within one year	(223,958)	(67,171)
Net current liabilities	(199,033)	(40,028)
Total assets less current liabilities	580,508	444,239
Creditors		
Amounts falling due after more than one year	(16,555)	(165,475)
Provisions for liabilities and charges		
Deferred taxation	(4,663)	(3,284)
Net assets	559,290	275,480
Capital and reserves		
Called up share capital	31,467	28,325
Deferred equity share capital	150	-
Share premium account	56,469	18,126
Revaluation reserve	320,040	95,724
Capital reserve	5,304	5,304
Other reserves	23,922	23,922
Profit and loss account	120,946	103,578
Equity shareholders' funds	558,298	274,979
Minority equity interests	992	501
Total funds employed	559,290	275,480

Reconciliation of Movements in Equity Shareholders' Funds
for the year ended 27 April 2003

	2003	2002
	£'000	£'000
Profit for the year	27,961	23,597
Dividends	(11,438)	(8,044)
Retained profit for the year	16,523	15,553
Issue of share capital including share premium	41,635	2,150
Contributions in respect of shares issued under Qualifying Employee Share Ownership Trust	(96)	(256)
Surplus on revaluation of properties	224,316	-
Currency translation	941	(100)
Net addition to equity shareholders' funds	283,319	17,347
Opening equity shareholders' funds	274,979	257,632
Closing equity shareholders' funds	558,298	274,979

The financial information contained in this announcement for the year ended 27 April 2003 does not amount to full accounts within the meaning of Section 254 of the Companies Act 1985 but is taken from those financial statements, which have received an unqualified report by the auditors and will be delivered to the Registrar of Companies. Full accounts for the year ended 28 April 2002, which included an unqualified auditors' report and did not contain a statement under either Section 237(2) or 237(3) of the Companies Act 1985, have been delivered to the Registrar of Companies.

Subject to approval at the Annual General Meeting, the proposed final dividend of 6.1p per share will be paid on 22 September 2003 to shareholders on the register at the close of business on 22 August 2003.

Key Dates:

10 July 2003	Announcement of results
22 August 2003	Record date for final dividend
10 September 2003	AGM
22 September 2003	Final dividend paid

Consolidated Cash Flow Statement

for the year ended 27 April 2003

	Notes	2003 £'000	2002 £'000
Net cash inflow from operating activities	A	61,078	55,268
Dividends received from associates		413	-
Returns on investments and servicing of finance	B	(11,254)	(11,930)
Taxation		(14,586)	(9,694)
Capital expenditure and financial investment	B	(28,322)	(18,153)
Acquisitions	B	(8,717)	(6,515)
Total dividends paid	B	(9,425)	(6,991)
Net cash (outflow)/inflow before use of liquid resources and financing		(10,813)	1,985
Financing - issue of ordinary shares		7,348	1,894
- decrease in debt	B	(10,527)	(7,714)
Net cash outflow from financing		(3,179)	(5,820)
Decrease in cash in the year		(13,992)	(3,835)
Reconciliation of net cash flow to movement in net debt			
Decrease in cash in the year		(13,992)	(3,835)
Decrease in debt in the year		10,527	7,714
(Increase)/decrease in net debt resulting from cash flows	C	(3,465)	3,879
Loans acquired with subsidiary undertakings	D	(10,035)	-
Other non-cash changes	C	(562)	(562)
Currency translation	C	52	28
(Increase)/decrease in net debt		(14,010)	3,345
Net debt at the start of the year		(167,677)	(171,022)
Net debt at the end of the year	C	(181,687)	(167,677)

Notes to the Consolidated Cash Flow Statement
for the year ended 27 April 2003

	2003	2002
A Reconciliation of operating profit to net cash inflow from operating activities	£'000	£'000
Operating profit	50,383	47,448
Depreciation	11,735	9,009
Amortisation	1,759	1,759
Decrease in stocks	123	139
Increase in debtors	(1,097)	(1,653)
Decrease in creditors	(1,825)	(1,434)
Net cash inflow from operating activities	61,078	55,268
	2003	2002
B Analysis of cash flows for headings netted in the consolidated cash flow statement	£'000	£'000
Returns on investments and servicing of finance		
Interest received	131	229
Interest paid	(9,853)	(12,051)
Interest element of finance lease repayments	(809)	(108)
Dividends paid to minority shareholders	(723)	-
Net cash outflow from returns on investments and servicing of finance	(11,254)	(11,930)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(28,840)	(20,820)
Sale of tangible fixed assets	518	2,667
Net cash outflow for capital expenditure and financial investment	(28,322)	(18,153)
Acquisitions		
Purchase of subsidiary undertakings (note D)	(8,744)	(7,180)
Net cash acquired with subsidiary undertakings (note D)	27	765
Deferred consideration in respect of prior year acquisitions	-	(100)
Net cash outflow for acquisitions	(8,717)	(6,515)
Total dividends paid		
Equity dividends paid	(9,425)	(6,991)

	2003 £'000	2002 £'000
Financing		
Issue of ordinary shares (net of share issue costs)	7,348	1,894
Debts due within one year:		
Finance lease – sale and leaseback of equipment	2,834	-
Repayment of loans	(29,244)	-
Debts due after more than one year:		
Finance lease – sale and leaseback of equipment	17,594	-
Loans raised	-	10,000
Repayment of loans	-	(17,207)
Capital element of finance lease repayments	(1,711)	(507)
	(10,527)	(7,714)
Net cash outflow from financing	(3,179)	(5,820)

C Analysis of net debt	2002 £'000	Cash flow £'000	Acquisitions (excluding cash & overdrafts) £'000	Other non- cash changes £'000	Currency translation £'000	2003 £'000
Cash at bank and in hand	18,191	(4,261)	-	-	65	13,995
Overdrafts	(1,729)	(9,731)	-	-	-	(11,460)
	16,462	(13,992)	-	-	65	2,535
Debts due within one year	(18,634)	29,244	(10,035)	(165,500)	(13)	(164,938)
Debts due after more than one year	(164,938)	-	-	164,938	-	-
Finance leases	(567)	(18,717)	-	-	-	(19,284)
Total	(167,677)	(3,465)	(10,035)	(562)	52	(181,687)

The net of other non-cash changes represents the amortisation of debt finance costs.

D Purchase of subsidiary undertakings	£'000
Provisional fair value of assets acquired:	
Tangible fixed assets	55,650
Stocks	92
Debtors	1,230
Cash at bank and in hand	1,444
Bank overdrafts	(1,417)
Bank and other loans	(10,035)
Creditors	(3,132)
Deferred taxation	(166)
Total	43,666

£'000

Satisfied by:

Cash	8,744
Issue of shares	34,041
Deferred consideration – shares	150
Deferred consideration – cash payable	731
Total	43,666

Tangible fixed assets include an increase in respect of fair value adjustments of £28,300,000.

Upon acquisition, the Group immediately repaid indebtedness of £10,035,000, in addition to the consideration detailed above.

Notes to the Financial Statements

	Continuing operations	Acquisitions	2003	2002
	£'000	£'000	£'000	£'000
1 Segmental information				
Turnover				
Gaming division	164,354	15,478	179,832	149,645
Betting division	806,863	14,279	821,142	593,062
Other activities	124	-	124	146
Total	971,341	29,757	1,001,098	742,853
Cost of sales	(913,432)	(28,911)	(942,343)	(686,669)
Gross profit	57,909	846	58,755	56,184
Net operating expenses				
Administration expenses	(7,301)	-	(7,301)	(7,633)
Other operating income	669	9	678	655
Income from listed investments	10	-	10	1
Net operating expenses - pre goodwill amortisation	(6,622)	9	(6,613)	(6,977)
Administration expenses - goodwill amortisation	(1,759)	-	(1,759)	(1,759)
Net operating expenses	(8,381)	9	(8,372)	(8,736)
Operating profit	49,528	855	50,383	47,448
Income from interests in associated undertakings	413	-	413	-
Profit/(loss) on disposal of tangible fixed assets	(108)	-	(108)	489
Profit on ordinary activities before interest	49,833	855	50,688	47,937
Total administration expenses including goodwill amortisation amount to £9,060,000 (2002 - £9,392,000).				
Analysis of profit on ordinary activities before interest by division				
Gaming division				
Pre goodwill amortisation	36,194	521	36,715	33,776
Goodwill amortisation	(1,759)	-	(1,759)	(1,759)
Including goodwill amortisation	34,435	521	34,956	32,017
Betting division	19,939	334	20,273	21,416
Other activities	(4,541)	-	(4,541)	(5,496)
Profit on ordinary activities before interest	49,833	855	50,688	47,937

	2003	2002
2 Taxation on profit on ordinary activities	£'000	£'000
Current tax:		
U.K. corporation tax at 30.0% (2002 - 30.0%) on profit for the year	10,761	10,912
Adjustment in respect of prior years	(2,074)	12
	8,687	10,924
Foreign tax: including adjustment in respect of prior years	437	618
Total current tax	9,124	11,542
Deferred tax:		
Origination and reversal of timing differences	1,202	395
	10,326	11,937

During the year, the Group resolved an outstanding enquiry by the Inland Revenue into the affairs of Capital Corporation PLC, prior to the acquisition by Stanley Leisure plc. Resolution of this enquiry has enabled a surplus provision to be released which has contributed towards the lower tax charge. Excluding the effect of this and other prior year credits, the effective rate of tax would have been approximately 32.6%.

	2003	2002
3 Dividends	£'000	£'000
Adjustment in respect of prior year final dividend	614	-
Interim dividend of 2.5p per share paid on 26 February 2003 (2002 – 2.1p)	3,146	2,379
Proposed final dividend of 6.1p per share payable on 22 September 2003 (2002 - 5.0p)	7,678	5,665
	11,438	8,044

The proposed final dividend of £7,678,000 is calculated on 125,866,003 Ordinary Shares in issue at 27 April 2003 and ranking for dividend. The adjustment in respect of the prior year final dividend followed the issue of shares after the year end which ranked for the final dividend. Dividend cover is 2.4 times (2002 – 2.9 times) on profit for the year of £27,961,000 (2002 - £23,597,000).

4 Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to ordinary shareholders of £27,961,000 (2002 - £23,597,000) by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per share are calculated by dividing the profit attributable to ordinary shareholders of £27,961,000 (2002 - £23,597,000) by the weighted average number of shares in issue and issuable.

Earnings per share before goodwill amortisation are calculated in order to provide a better understanding of the Group's earnings. The profit attributable to ordinary shareholders of £27,961,000 (2002 - £23,597,000) is adjusted for goodwill amortisation of £1,759,000 (2002 - £1,759,000) and the total is then divided by the weighted average number of ordinary shares in issue during the year.

	2003	2002
	£'000	£'000
Weighted average number of shares:		
Basic	123,539	112,772
Dilution adjustment for share options	1,481	1,047
Diluted	125,020	113,819

5 Post Balance Sheet events

On 23 May 2003 the Group acquired the Palm Beach casino in London for a total consideration of £36,250,000.

On 2 July 2003 a new five year banking facility was signed; the new facility is for £275,000,000 on a revolving credit basis with no repayments and interest payable at rates of between 0.7% and 1.45% above LIBOR, depending upon financial covenant performance.