



‘Our estate continues to deliver a solid performance which puts us in good stead for the future. There remains considerable potential to extend and upgrade our operating casinos. Looking forward, we remain confident that London Clubs is extremely well positioned to benefit from the new legislation that is proposed.’

Michael Beckett
Chairman
25 November 2004

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Interim report

Introduction

During the period, the Group continued to make good progress both operationally and financially. Much has been achieved in preparing our existing estate to maximise the facilities and take advantage of the potential that the Gambling Bill, in whichever form it comes, will undoubtedly bring.

The Group is well positioned to grow organically, has licences in Glasgow and Manchester, and owns additional space in existing London and provincial operations. In December we will see the resumption of trading at the Sportsman, which has been relocated to enlarged premises. Fifty, where as part of a joint venture, a new concept in gaming entertainment has been created, will be re-launched in early 2005.

Results

Operating profit before joint venture increased 44% to £12.1m (2003:£8.4m). This improved profitability reflects continued efficiencies and a much lower level of unpaid cheques compared to the same period last year. Pre-tax profits were £4.2m (2003:£1.2m) and Earnings per Share was 1.6p (2003:0.7p).

Following the refinancing of the Group's loans and the £49m of new funds raised in the Rights Issue in April 2004, the Group is financially sound with net debt reduced to £105.4m (2003:£165.6m).

Operations

UK

Overall, the Group's London casinos reported increased levels of profitability. It was unrealistic to expect revenues at Les Ambassadeurs to match the exceptional levels achieved during the previous year. However, a lower level of unpaid cheques has resulted in substantially increased levels of EBITDA from this operation. At The Rendezvous, despite a background of continuing uncertainty in the Middle East, we have continued to see improved trading performance.

As shareholders will be aware, the Sportsman closed for relocation in August. It will be re-launched at the end of 2004 positioned in the mid market and returning to its roots as a sports oriented venue. The relocation has given the Group the opportunity to develop a modern and sophisticated casino, attractive to a wide range of consumers.

The introduction of new money laundering regulations impacted trading at both the Golden Nugget and our casinos in Brighton and Southend. As a result the Golden Nugget, which is also operating in a competitive environment, did not attain the same levels of business as in the previous year. Going forward, this operation will, however, benefit from a planned refurbishment programme.

In Southend and Brighton attendances are returning to normal levels as the impact of the money laundering regulations has worked through the system. These successful, entertainment led offerings continue to form the basis of our expansion plans post deregulation.

Overseas

In South Africa, the Emerald Casino Resort has, once again, substantially improved its contribution to Group EBITDA. This is the only resort casino that the Group operates and manages and is similar in size and in template to those that potentially could be built in the UK. Not only does the Emerald casino operate 660 slots, but it also offers hotel, food and beverage and leisure facilities for its customers. In preparation for the potential new legislation in the UK, the Group has implemented a programme whereby a number of senior managers have been seconded to South Africa so that they may gain experience in a deregulated environment that will have similar dynamics to that expected in the UK.

Interim report

continued

Turnover in our Egyptian operations was down primarily due to the disposal of the franchise to operate the casino in Taba. Our two remaining casinos in Cairo have continued to benefit from the political climate in the Middle East, generate good profits and cash for the Group as a whole and provide a counter balance to our London based operations.

Joint venture

The refurbishment of the newly named Fifty is now well advanced and will be re-launched in early 2005. Fifty will offer not only gaming facilities but also sophisticated bars and restaurants, overseen by the celebrated barman Salvatore Calabrese and the internationally-renowned chef Jean-Georges Vongerichten. It will also comprise a members' lounge called 'Fifty Below' and, in the future, facilities for sports gaming. We have begun the marketing of this new concept and we are very encouraged by the level of interest in this exciting development.

Deregulation

We broadly welcome the Government's announcement that there will be, in total, a maximum of eight Regional casinos. We have previously made clear that London Clubs supports modernisation of the outdated legislation that is currently in place. However, until we learn more of the locations of the 'pilot' schemes, and how the process of selection will work, it remains difficult for any casino company to be definitive on its strategy.

Despite the residual uncertainties over the deregulation process, we remain confident that London Clubs is well placed to take advantage of the modernisation of Britain's gambling laws. The composition of the Group's UK assets enables us to be flexible in responding to the opportunities presented by deregulation. Our strategy continues to focus on maximising the opportunities that lie within our existing estate and to build new casinos when and where legislation allows.

Outlook

Overall business levels in both our UK and overseas operations have been broadly in line with our expectations although most recently, particularly in London, the festival of Ramadan, has impacted on business levels.

In the second half we will benefit from the opening of the relocated Sportsman and the re-launch of Fifty. We remain confident of a satisfactory result for the year.

Additional segmental analysis

(unaudited)

	6 months ended 26 September 2004 £m	6 months ended 28 September 2003 £m
Turnover		
London	49.4	60.1
Provinces	6.1	5.9
Middle East	9.5	12.2
Africa	11.6	9.6
	76.6	87.8
EBITDA		
London high end	9.1	5.3
London other	4.1	4.4
Provinces	0.6	0.6
UK divisional costs	(2.0)	(2.0)
Total UK EBITDA	11.8	8.3
Middle East	1.3	1.8
South Africa	3.7	2.6
Total overseas EBITDA	5.0	4.4
Corporate costs	(2.7)	(1.9)
LCI group EBITDA	14.1	10.8
Depreciation	(2.0)	(2.4)
LCI group operating profit	12.1	8.4
Share of loss in joint venture	(1.0)	(0.5)
Total operating profit	11.1	7.9

Consolidated profit and loss account

(unaudited)

	6 months ended 26 September 2004 £'000	6 months ended 28 September 2003 £'000	Year ended 28 March 2004 £'000
Turnover (including share of joint venture)	78,690	88,315	163,418
Less: share of turnover of joint venture	(2,083)	(519)	(3,127)
Turnover	76,607	87,796	160,291
Operating costs			
– Gaming taxation	(23,311)	(27,340)	(48,317)
– Other operating costs before exceptional items	(41,214)	(52,062)	(89,446)
– Exceptional items (note 3)	–	–	(6,985)
	(64,525)	(79,402)	(144,748)
Group operating profit	12,082	8,394	15,543
Share of operating loss in joint venture	(1,028)	(541)	(1,262)
Total operating profit: Group and joint venture	11,054	7,853	14,281
Group net interest payable and similar items	(6,819)	(6,649)	(11,756)
Profit on ordinary activities before taxation	4,235	1,204	2,525
Tax on profit on ordinary activities	(790)	(56)	(1,059)
Profit on ordinary activities after taxation	3,445	1,148	1,466
Equity minority interests	–	25	–
Profit transferred to reserves	3,445	1,173	1,466
Basic earnings per share	1.6p	0.7p	1.0p
Diluted earnings per share	1.6p	0.8p	1.0p

Consolidated balance sheet

(unaudited)

	26 September 2004 £'000	28 September 2003 £'000	28 March 2004 £'000
Fixed assets			
Tangible assets	242,503	241,684	240,936
Other investments	990	990	990
	243,493	242,674	241,926
Current assets			
Stocks	1,336	997	1,381
Debtors	14,352	21,694	17,377
Cash at bank and in hand	30,836	21,174	30,124
	46,524	43,865	48,882
Creditors: amounts falling due within one year			
– bank loans	–	(184,347)	(180,549)
– other creditors	(25,392)	(28,705)	(35,948)
	(25,392)	(213,052)	(216,497)
Net current assets / (liabilities)	21,132	(169,187)	(167,615)
Total assets less current liabilities	264,625	73,487	74,311
Creditors: amounts falling due after one year	(135,778)	–	–
Provisions for liabilities and charges			
Interest in joint venture			
– share of gross assets	934	210	738
– share of gross liabilities	(3,224)	(750)	(2,000)
	(2,290)	(540)	(1,262)
Net assets	126,557	72,947	73,049
Capital and reserves			
Called up share capital	11,089	7,369	7,369
Share premium	126,345	80,654	80,654
Other reserves	112,801	112,801	112,801
Profit and loss account	(122,486)	(126,661)	(126,583)
Equity shareholders' funds	127,749	74,163	74,241
Equity minority interests	(1,192)	(1,216)	(1,192)
	126,557	72,947	73,049

Consolidated cash flow statement

(unaudited)

	6 months ended 26 September 2004 £'000	6 months ended 28 September 2003 £'000	Year ended 28 March 2004 £'000
Cash flow from operating activities (note 6)	8,386	7,248	26,023
Returns on investments and servicing of finance	(12,939)	(7,856)	(14,876)
Taxation	(399)	(64)	66
Capital expenditure and financial investment	(2,379)	25,105	23,937
Acquisitions and disposals	–	34,293	34,293
Cash flow before financing	(7,331)	58,726	69,443
Financing	7,990	(57,351)	(58,837)
Increase in cash in the period	659	1,375	10,606

Statement of total recognised gains and losses

(unaudited)

	6 months ended 26 September 2004 £'000	6 months ended 28 September 2003 £'000	Year ended 28 March 2004 £'000
Profit transferred to reserves	3,445	1,173	1,466
Exchange difference on retranslation of net assets of subsidiary undertakings	652	987	772
Total gains and losses relating to the period	4,097	2,160	2,238

Reconciliation of net cash flow to movement in net debt

(unaudited)

	6 months ended 26 September 2004 £'000	6 months ended 28 September 2003 £'000	Year ended 28 March 2004 £'000
Increase in cash in the period	659	1,375	10,606
Cash flow from movement in debt	48,486	57,351	58,837
Other non cash changes	578	(1,094)	(2,294)
Translation differences	(1,045)	586	2,617
Movement in net debt in the period	48,678	58,218	69,766
Net debt at beginning of the period	(154,048)	(223,814)	(223,814)
Net debt at end of the period	(105,370)	(165,596)	(154,048)

Included within translation losses of £1.0 million (2003: gains of £0.6 million) is an exchange loss of £0.7 million (2003: exchange gain of £1.7 million) relating to the Group's USD guaranteed senior notes. This exchange loss forms part of Group net interest payable in the consolidated profit and loss account.

Notes to the interim financial information

(unaudited)

1. Basis of preparation

The interim financial information for the period ended 26 September 2004 has been prepared in accordance with the accounting policies set out in the statutory accounts of London Clubs International plc and its subsidiaries for the year ended 28 March 2004. The unaudited financial information has been approved by the directors and reviewed by the auditors.

The figures for the year ended 28 March 2004 (which do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985) have been extracted from the statutory accounts of London Clubs International plc and its subsidiaries, which have been filed with the Registrar of Companies and contained no qualifications or statements under Section 237 of the Companies Act 1985.

2. Segmental analysis

	6 months ended 26 September 2004 £'000	6 months ended 28 September 2003 £'000	Year ended 28 March 2004 £'000
Turnover			
Europe	55,504	65,996	117,866
Middle East	9,495	12,161	21,543
Africa	11,608	9,639	20,882
	76,607	87,796	160,291

	6 months ended 26 September 2004 £'000	6 months ended 28 September 2003 £'000	Year ended 28 March 2004 £'000
Group operating profit			
Europe	8,071	5,164	15,898
Middle East	1,197	1,670	2,981
Africa	2,814	1,560	3,649
USA (note 3)	-	-	(6,985)
	12,082	8,394	15,543

3. Exceptional items

	6 months ended 26 September 2004 £'000	6 months ended 28 September 2003 £'000	Year ended 28 March 2004 £'000
Satisfaction of contingent liabilities relating to Aladdin	-	-	6,302
Professional fees relating to Aladdin	-	-	683
	-	-	6,985

4. Taxation

The charge for taxation has been calculated on the basis of the taxable result for the period after taking appropriate account of permanent and timing differences assuming a UK corporation tax rate of 30% (2003: 30%).

5. Equity dividends

The directors do not intend to declare an interim dividend.

6. Reconciliation of operating profit to operating cash flow

	6 months ended 26 September 2004 £'000	6 months ended 28 September 2003 £'000	Year ended 28 March 2004 £'000
Group operating profit	12,082	8,394	15,543
Depreciation	1,954	2,359	4,456
Profit on disposal of fixed assets	(86)	(257)	(38)
Movement in stocks	59	48	(329)
Movement in debtors	2,210	(1,742)	(2,272)
Movement in creditors	(7,833)	(1,554)	8,663
Net cash inflow from operating activities	8,386	7,248	26,023

Independent review report to London Clubs International plc

Introduction

We have been instructed by the Company to review the financial information, which comprises the consolidated profit and loss account, the consolidated balance sheet, the consolidated cash flow statement, the statement of total recognised gains and losses, the reconciliation of net cash flow to movement in net debt and the related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information. This report has been prepared for, and only for, the Company for the purpose of the Listing Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose, or to any other person to whom this report is shown, or in to whose hands it may come, save where expressly agreed by our prior consent in writing.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the 6 months ended 26 September 2004.

PricewaterhouseCoopers LLP

Chartered Accountants
London
25 November 2004

Directors and corporate information

Non-executive Chairman

Michael Beckett

Chief Operating Officer

Barry Hardy FCA

Executive Directors

Linda Lillis FCA

Roy Ramm

Bill Timmins

Non-executive Directors

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Group operations

UK operations

Fifty
Les Ambassadeurs
The Rendezvous Casino
The Sportsman Casino
The Golden Nugget Casino
Rendezvous Casino at the Kursaal, Southend-on-Sea
Rendezvous Casino at the Marina, Brighton

International operations

Emerald Casino Resort, Gauteng, South Africa
The Ramses Hilton Casino, Cairo, Egypt
The Nile Hilton Casino, Cairo, Egypt

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