

# Crown Direct Limited

---

Registered No. 1273094

## **DIRECTORS**

Mr M Gemson (Chairman)  
Mr J K D Roden  
Mr P A Roden

## **SECRETARY**

Mr P A Roden

## **AUDITORS**

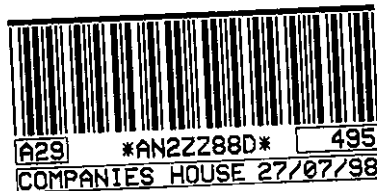
Ernst & Young  
100 Barbirolli Square  
Manchester  
M2 3EY

## **BANKERS**

National Westminster Bank plc  
35 Fishergate  
Preston  
PR1 2BY

## **REGISTERED OFFICE**

139 Brookfield Place  
Walton Summit Centre  
Bamber Bridge  
Preston  
PR5 8BF



## DIRECTORS' REPORT

The directors present their report and accounts for the year ended 30 September 1997.

### RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £569,294 (1996: £623,569).

The directors have paid a dividend amounting to £750,000 (1996: £700,000), leaving a loss of £180,706 (1996: loss of £76,431) to be taken to reserves.

### PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activity of the company is that of amusement machine distributors.

The company has achieved an operating profit for the year of £849,741 (1996: £889,442).

### FIXED ASSETS

The changes in fixed assets during the year are summarised in the notes to the accounts.

### DIRECTORS AND THEIR INTERESTS

The directors at 30 September 1997 and their interests in the share capital of the company were:

	<i>At 30 September 1997</i>	<i>At 30 September 1996</i>
	<i>£1 ordinary shares</i>	<i>£1 ordinary shares</i>
Mr M Gemson	-	-
Mr K B Turner (resigned 16 October 1997)	-	-
Mr P A Roden	-	-
Mr J K D Roden	-	-

The financial interests of Messrs M Gemson, J K D Roden and P A Roden in the share capital of the parent company, Crown Leisure plc, are shown in the accounts of that company.

### CONTRACTS

There were no contracts of significance existing during or at the end of the financial year in which any director was materially interested.

### PAYMENT POLICY

The company agrees payment terms and conditions in advance with its suppliers having regard to the nature of the product or service supplied. Undisputed accounts are then generally settled in accordance with the agreed terms.

### AUDITORS

A resolution to reappoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the Board



P A Roden  
Secretary

24 July 1998

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE  
ACCOUNTS

Company law requires the directors to prepare accounts 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 accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts 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 accounts 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.

**REPORT OF THE AUDITORS  
to the members of Crown Direct Limited**

We have audited the accounts on pages 6 to 12 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 8.

**Respective responsibilities of directors and auditors**

As described on page 4 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

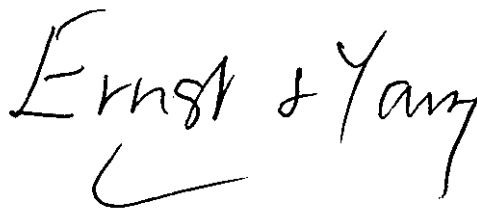
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

**Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 30 September 1997 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young  
Registered Auditor  
Manchester

24 July 1998



# Crown Direct Limited

## PROFIT AND LOSS ACCOUNT for the year ended 30 September 1997

	Notes	1997 £	1996 £
<b>TURNOVER</b>	2	19,929,222	21,015,792
Cost of sales		17,956,774	19,236,362
<b>GROSS PROFIT</b>		1,972,448	1,779,430
Operating costs		1,122,707	889,988
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	3	849,741	889,442
Taxation on profit on ordinary activities	5	280,447	265,873
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		569,294	623,569
Dividends	6	750,000	700,000
<b>LOSS RETAINED FOR THE FINANCIAL YEAR</b>		(180,706)	(76,431)

### STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains and losses other than the profit for the year.

# Crown Direct Limited

## BALANCE SHEET

at 30 September 1997

	Notes	1997 £	1996 £
<b>FIXED ASSETS</b>			
Tangible assets	7	416,147	399,624
Investments	8	500	500
		<u>416,647</u>	<u>400,124</u>
<b>CURRENT ASSETS</b>			
Stocks	9	947,219	822,141
Debtors	10	6,306,348	4,215,719
		<u>7,253,567</u>	<u>5,037,860</u>
<b>CREDITORS: amounts falling due within one year</b>	11	7,591,572	5,178,636
		<u>(338,005)</u>	<u>(140,776)</u>
<b>NET CURRENT LIABILITIES</b>		<u>78,642</u>	<u>259,348</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13	100	100
Goodwill reserve	14	(100,000)	(100,000)
Profit and loss account	14	178,542	359,248
		<u>78,642</u>	<u>259,348</u>

Approved by the board on 24 July 1998



P A Roden

Director

NOTES TO THE ACCOUNTS  
at 30 September 1997

1. ACCOUNTING POLICIES

*Accounting convention*

The accounts are prepared under the historical cost convention, and in accordance with applicable accounting standards.

The financial statements present information about the company as an individual undertaking and not about its group. The company is not required to prepare group accounts as it is a subsidiary undertaking of an EC parent.

*Goodwill*

Goodwill representing the excess of the purchase price over the fair value of the net assets of businesses acquired, is set off directly against reserves.

*Depreciation*

Depreciation of all tangible fixed assets is provided at rates calculated to write off the cost, less residual value based on prices prevailing at the date of acquisition, of each asset over the useful lives of the assets at the following rates:

Motor vehicles	-	3% per month, reducing balance
Fixtures, fittings and equipment	-	1.66% per month, reducing balance

*Stocks*

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition and net realisable value. Cost is based on purchase cost on a first-in, first-out basis and net realisable value is based on estimated selling price less any further costs expected to be incurred to disposal.

*Deferred taxation*

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

Deferred tax assets are only recognised if recovery without replacement by equivalent debit balances is reasonably certain.

*Leasing and hire purchase commitments*

Assets obtained under finance leases and hire purchase contracts which are those where substantially all the risks and rewards of ownership of the asset have passed to the company, are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of rental obligations is charged to profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to profit and loss account as incurred.

*Cash flow statement*

The company is a wholly owned subsidiary undertaking of Crown Leisure plc, which prepares accounts in accordance with the EC Seventh directive including a group cash flow statement prepared in accordance with FRS1, and as such the company is exempt from the preparation of a cash flow statement.

# Crown Direct Limited

## NOTES TO THE ACCOUNTS

at 30 September 1997

### 2. TURNOVER

Turnover represents amounts invoiced by the company in respect of goods sold and services provided during the year, excluding valued added tax. Turnover and profit before taxation is all attributable to the distribution of amusement machines in the United Kingdom.

### 3. OPERATING PROFIT

(a) This is stated after charging:	1997 £	1996 £
Directors' emoluments (including pension contributions)	338,135	283,068
Auditors' remuneration	7,490	6,875
Depreciation of tangible fixed assets	114,444	106,042
	<u>          </u>	<u>          </u>

#### (b) Directors' emoluments

Mr K B Turner was remunerated in his capacity as director of Crown Leisure (Rentals) Limited.

The emoluments of the highest paid director were £111,920 (1996: £89,655).

### 4. STAFF COSTS

	1997 £	1996 £
Wages and salaries	905,142	767,477
Social security costs	92,322	78,281
Other pension costs	76,322	64,714
	<u>1,073,786</u>	<u>910,472</u>

The average weekly number of employees during the year was as follows:

	1997 No.	1996 No.
Management	1	1
Service	15	15
Sales	8	7
Administration	8	8
	<u>32</u>	<u>31</u>

### 5. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

The taxation charge is made up as follows:

	1997 £	1996 £
Based on the profit for the year:		
UK Corporation tax at 31% (1996: 33%)	280,447	266,429
Prior period adjustments	-	(556)
	<u>280,447</u>	<u>265,873</u>



# Crown Direct Limited

## NOTES TO THE ACCOUNTS at 30 September 1997

### 6. DIVIDENDS

	1997 £	1996 £
Ordinary dividends - proposed	-	-
- paid	750,000	700,000
	<u>750,000</u>	<u>700,000</u>

### 7. TANGIBLE FIXED ASSETS

	<i>Fixtures, fittings and equipment</i> £	<i>Motor vehicles</i> £	<i>Total</i> £
Cost:			
At 1 October 1996	810,771	218,884	1,029,655
Additions	124,487	31,197	155,684
Disposals	-	(61,244)	(61,244)
At 30 September 1997	<u>935,258</u>	<u>188,837</u>	<u>1,124,095</u>
Depreciation:			
At 1 October 1996	543,580	86,451	630,031
Charge for the year	66,944	47,500	114,444
Disposals	-	(36,527)	(36,527)
At 30 September 1997	<u>610,524</u>	<u>97,424</u>	<u>707,948</u>
Net book value:			
At 30 September 1997	<u>324,734</u>	<u>91,413</u>	<u>416,147</u>
At 1 October 1996	<u>267,191</u>	<u>132,433</u>	<u>399,624</u>

### 8. INVESTMENTS

#### Subsidiary undertakings

	1997 £	1996 £
Cost	<u>500</u>	<u>500</u>

The company owns 50% of the issued ordinary share capital of Crown Suzo Limited, a dormant company and is registered in England and Wales.

The profit for the year after taxation and aggregate of capital and reserves of Crown Suzo Limited were £nil (1996: £nil) and £103 (1996: £103) respectively.

# Crown Direct Limited

## NOTES TO THE ACCOUNTS

at 30 September 1997

### 9. STOCKS

	1997 £	1996 £
Goods for resale	947,219	822,141

In the opinion of the directors there is no material difference between the balance sheet value and their cost of replacement.

### 10. DEBTORS

	1997 £	1996 £
Trade debtors	3,090,789	3,174,222
Amounts owed by fellow subsidiary undertakings	3,151,660	870,288
Amounts owed by associated undertakings	-	85,000
Prepayments	34,379	86,209
Other debtors	29,520	-
	6,306,348	4,215,719

### 11. CREDITORS: amounts falling due within one year

	1997 £	1996 £
Bank overdraft (see below)	478,259	249,983
Trade creditors	6,057,538	3,768,070
Amounts owed to parent and fellow subsidiary undertaking	-	363,585
Corporation tax	(12,517)	16,625
Other taxes and social security costs	1,015,180	714,448
Accrued expenses	53,112	65,925
	7,591,572	5,178,636

The bank overdraft is secured by a debenture with a fixed and floating charge on the undertaking and assets of the group.

### 12. DEFERRED TAXATION

Deferred taxation provided in the accounts and amounts not provided are as follows:

	Provided		Not provided	
	1997 £	1996 £	1997 £	1996 £
Capital allowances in advance of depreciation	-	-	-	16,000

NOTES TO THE ACCOUNTS  
at 30 September 1997

## 13. CALLED UP SHARE CAPITAL

	1997 £	1996 £
Authorised:		
Ordinary shares of £1 each	100	100
	<u>          </u>	<u>          </u>
Allotted, called up and fully paid:		
Ordinary shares of £1 each	100	100
	<u>          </u>	<u>          </u>

## 14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital £	Profit and loss account £	Goodwill reserve £	Total £
At 1 October 1995	100	435,679	(100,000)	335,779
Profit for the year	-	623,569	-	623,569
Dividends	-	(700,000)	-	(700,000)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 30 September 1996	100	359,248	(100,000)	259,348
Profit for the year	-	569,294	-	569,294
Dividends	-	(750,000)	-	(750,000)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 30 September 1997	100	178,542	(100,000)	78,642
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

## 15. CONTINGENT LIABILITIES

(a) The company has given a cross guarantee in respect of the bank borrowings of fellow group undertakings which at 30 September 1997 amounted to £6,048,071 (1996: £3,164,607).

(b) Along with Crown Leisure plc, Crown Leisure (Rentals) Limited and Crown Leisure Finance Limited, the company is registered for VAT purposes on a group basis. The effect of this is that each company is jointly liable for any tax due in respect of a group company.

## 16. PENSION COMMITMENTS

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company, being invested with an insurance company. Contributions are charged against profit as they are made.

## 17. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking is Crown Leisure plc, a company registered in England and Wales. Copies of the group accounts may be obtained from Crown Leisure plc, 139 Brookfield Place, Walton Summit Centre, Bamber Bridge, Preston PR5 8BF.