

**RAL Limited**

**Directors' Report and Financial  
Statements**

Registered number 1940045

31 December 2005



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## **Company Information**

### **Directors**

NS Harding  
AJ Hall  
L Brydon

### **Company Secretary**

SC Fadil, FCIS  
20 Black Friars Lane  
London  
EC4V 6RW

### **Registered Office**

Silbury Court  
368 Silbury Boulevard  
Milton Keynes  
MK9 2AF

### **Principal Solicitors**

Mayer, Brown, Rowe & Maw LLP  
11 Pilgrim Street  
London  
EC4V 6RW

Joelson Wilson & Co  
70 New Cavendish Street  
London  
W1G 8AT

### **Principal Bankers**

Bank of Scotland  
249 Silbury Boulevard  
Milton Keynes  
MK9 1NA

### **Auditors**

KPMG Audit Plc  
Altius House  
One North Fourth Street  
Milton Keynes  
MK9 1NE

## Directors' Report

The Directors present their annual report and the audited financial statements for the year ended 31 December 2005.

### Principal activities

The principal activity of the Company is the provision of licensed premises for licensed gaming centres and the operation of prize bingo.

### Business review

The results for the year are set out on page 6. On 1 June 2005 Talarius plc acquired the entire share capital of RAL Holdings Limited (the ultimate parent company of RAL Limited).

On 31 December 2005 the trade and net assets of RAL Services Limited, RAL Machines Limited, Leisure Promotions Limited and In To Save Limited were transferred into RAL Limited at their net book value.

### Proposed dividend

The Directors do not recommend the payment of a dividend (2004: £ nil).

### Directors and Directors' interests

The Directors who held office during the year were:

NS Harding  
AJ Hall (appointed 6 September 2005)  
L Brydon

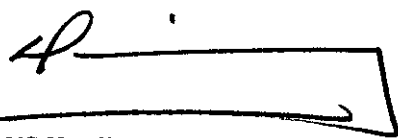
None of the Directors had an interest in the ordinary shares of the Company. The interests of NS Harding and AJ Hall in the ordinary shares of Group companies are disclosed in the Directors' Report of the ultimate parent company.

According to the register of Directors' interests, no rights to subscribe for shares in the Company or any other Group company were granted to any of the other Directors or their immediate families during the financial year.

### Auditors

KPMG Audit Plc have expressed their willingness to continue in office and in accordance with Section 384 of the Companies Act 1985, a resolution to re-appoint them as auditors of the Company is to be proposed at the Annual General Meeting.

On behalf of the Board



NS Harding  
Director

6th July 2006

Silbury Court  
368 Silbury Boulevard  
Milton Keynes  
MK9 2AF

## **Statement of Directors' Responsibilities**

The Directors are responsible for preparing the Directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards.

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 these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.



## KPMG Audit Plc

Altius House  
1 North Fourth Street  
Central Milton Keynes  
Buckinghamshire  
MK9 1NE

### **Report of the Independent Auditors to the Members of RAL Limited**

We have audited the financial statements of RAL Limited for the year ended 31 December 2005 which comprise the Profit and Loss account, the Balance Sheet and the related notes. 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 auditor's 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 on page 3, the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 whether the financial statements have been 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 other transactions 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 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 appropriated 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.

## Report of the Independent Auditors to the Members of RAL Limited

### Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2005 and of its profit for the year then ended.
- have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

**KPMG Audit Plc**  
*Chartered Accountants*  
*Registered Auditor*

6 July 2006

**Profit and Loss Account**  
*for the year ended 31 December 2005*

|   | <i>Note</i> | <b>2005</b><br><b>£000</b> | As Restated<br>2004<br>£000 |
|---|-------------|----------------------------|-----------------------------|
| <b>Turnover</b>   | <i>1</i>    | <b>25,150</b>              | 17,978                      |
| Cost of sales   | <i>1</i>    | <b>(4,174)</b>             | (1,796)                     |
| <b>Gross profit</b>                                     |             | <b>20,976</b>              | 16,182                      |
| Administrative expenses                                 |             | <b>(14,759)</b>            | (10,274)                    |
| <b>Operating profit</b>                                 |             | <b>6,217</b>               | 5,908                       |
| Operating profit before:                                |             | <b>8,326</b>               | 6,128                       |
| Goodwill amortisation                                   | <i>8</i>    | <b>(121)</b>               | (121)                       |
| Impairment and accelerated depreciation of fixed assets | <i>10</i>   | <b>(1,154)</b>             | (99)                        |
| Onerous lease provisions                                | <i>16</i>   | <b>(834)</b>               | -                           |
| Operating profit  |             | <b>6,217</b>               | 5,908                       |
| Other interest receivable and similar income            | <i>5</i>    | <b>211</b>                 | 179                         |
| Interest payable and similar charges                    | <i>6</i>    | <b>(22)</b>                | (52)                        |
| <b>Profit on ordinary activities before taxation</b>    | <i>2-4</i>  | <b>6,406</b>               | 6,035                       |
| Tax on profit on ordinary activities                    | <i>7</i>    | <b>543</b>                 | 30                          |
| <b>Retained profit for the year</b>                     | <i>18</i>   | <b>6,949</b>               | 6,065                       |

There were no recognised gains or losses in the current or preceding year other than those passing through the profit and loss account. All results relate to continuing operations.

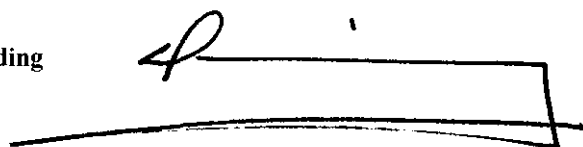


**Balance Sheet**  
*as at 31 December 2005*

|  | Note | 2005     |        | 2004    |        |
|--|------|----------|--------|---------|--------|
|  |      | £000     | £000   | £000    | £000   |
| <b>Fixed assets</b>  |      |          |        |         |        |
| Intangible assets  | 8    |          | 1,631  |         | 1,752  |
| Tangible assets  | 10   |          | 18,091 |         | 8,629  |
| Investment   | 11   |          | -      |         | -      |
|  |      |          | <hr/>  |         | <hr/>  |
|  |      |          | 19,722 |         | 10,381 |
| <b>Current assets</b>  |      |          |        |         |        |
| Stocks   | 12   | 247      |        | 165     |        |
| Debtors  | 13   | 42,420   |        | 21,388  |        |
| Cash at bank and in hand                                       |      | 5,052    |        | 218     |        |
|  |      | <hr/>    |        | <hr/>   |        |
|  |      | 47,719   |        | 21,771  |        |
| <b>Creditors: amounts falling due within one year</b>          | 14   | (29,006) |        | (1,473) |        |
|  |      | <hr/>    |        | <hr/>   |        |
| <b>Net current assets</b>                                      |      |          | 18,713 |         | 20,298 |
|  |      |          | <hr/>  |         | <hr/>  |
| <b>Total assets less current liabilities</b>                   |      |          | 38,435 |         | 30,679 |
| <b>Creditors: amounts falling due after more than one year</b> | 15   | (4,498)  |        | (4,498) |        |
| <b>Provisions for liabilities and charges</b>                  | 16   | (2,242)  |        | (1,435) |        |
|  |      | <hr/>    |        | <hr/>   |        |
| <b>Net assets</b>  |      |          | 31,695 |         | 24,746 |
|  |      |          | <hr/>  |         | <hr/>  |
| <b>Capital and reserves</b>                                    |      |          |        |         |        |
| Called up share capital  | 17   | 5,000    |        | 5,000   |        |
| Revaluation reserve  | 18   | 1,674    |        | 1,674   |        |
| Profit and loss account  | 18   | 25,021   |        | 18,072  |        |
|  |      | <hr/>    |        | <hr/>   |        |
| <b>Equity Shareholders' funds</b>                              | 19   | 31,695   |        | 24,746  |        |
|  |      | <hr/>    |        | <hr/>   |        |

These financial statements were approved by the Board and signed on its behalf on

NS Harding  
Director



6th July 2006

AJ Hall  
Director



## Notes to the Financial Statements

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements (FRS 18).

#### *Basis of preparation*

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules, modified to include the revaluation of certain fixed assets. The Company has applied the transitional rules contained in Financial Reporting Standard 15 to retain previous valuations as the basis on which certain of these assets are held.

The company is exempt by virtue of S228 of the Companies Act 1985 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

Under Financial Reporting Standard 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that the ultimate Parent undertaking includes the Company in its own published consolidated financial statements.

As the Company is controlled by Talarius plc, its ultimate parent Company, the Company has taken advantage of the exemption contained in Financial Reporting Standard 8 and has therefore not disclosed transactions or balances with entities which form part of the Group. The consolidated financial statements of Talarius plc, within which this Company is included, can be obtained from the address given in note 21.

#### *Restatement of 2004 comparatives*

Following the acquisition of RAL Holdings Ltd. and its subsidiary undertakings by Talarius Plc the directors of the Group have reviewed the classification of certain items of expenditure in the profit & loss account. As a result of this review certain expenses that were previously shown in cost of sales are now shown as administrative expenses as the directors consider that this reclassification better reflects the nature of the expenditure. The 2004 profit and loss account has been restated accordingly.

#### *Goodwill*

Businesses acquired during the year are included in the Company's profit and loss account from their effective dates of acquisition.

On the acquisition of a business, fair values are attributed to the assets and liabilities acquired. Until 27 December 1997, where the cost of the acquisition exceeded the fair value of the separable net assets acquired, the difference was treated as goodwill and written off directly to reserves in the year of acquisition. It will be included in the calculation of profit or loss on disposal of the business to which it relates.

With effect from 28 December 1997, Goodwill arising on acquisitions has been capitalised and amortised on a straight-line basis over twenty years. Goodwill is reviewed for impairment at the end of the first full year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

#### *Fixed assets and depreciation*

Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

|                     |   |                            |
|---------------------|---|----------------------------|
| Freehold buildings  | - | 2% per annum               |
| Leasehold buildings | - | over the life of the lease |

## Notes to the Financial Statements *(continued)*

|                       |   |                  |
|-----------------------|---|------------------|
| Fixtures and fittings | - | 10% per annum    |
| Plant and equipment   | - | 10-25% per annum |

No depreciation is provided on freehold land.

Where the need for a write down of assets is identified, provision is made for the resulting impairment loss.

As disclosed in note 10, assets with an acquisition cost of less than £500 have been fully written off in the year. As a result, the profit and loss account has been charged with accelerated depreciation of £900,000.

### ***Leases***

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

### ***Provisions***

A provision is recognised as a liability when the Company has a present obligation, legal or constructive, as a result of a past event and it is expected that a transfer of economic benefits will be required to settle that obligation and a reliable estimate of the amount of the transfer can be made. A provision is maintained in respect of vacant leasehold properties to take account of the net present value of residual lease commitments over the remaining term of the lease, and of the rental income receivable. Cash flows are discounted using an appropriate risk free rate of return.

As disclosed in note 16, the provision for vacant leasehold properties is reduced by rental income receivable only when a sublet contract is in place. In prior years, the provision included actual and expected rental income. The change in estimate has resulted in an additional charge to the profit and loss account of £834,000.

### ***Stocks***

Stocks are stated at the lower of cost and net realisable value. Provision is made for slow moving or obsolete items where appropriate.

### ***Taxation***

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, in accordance with FRS 19.

### ***Turnover***

Turnover represents receipts from the provision of licensed premises for use as licensed gaming centres, and the operation of prize bingo in the British Isles, excluding value added tax.

## Notes to the Financial Statements *(continued)*

### 2 Profit on ordinary activities before taxation

|   | 2005<br>£000      | 2004<br>£000      |
|---|-------------------|-------------------|
| <i>Profit on ordinary activities before taxation is stated after charging/(crediting)</i> |                   |                   |
| Auditors' remuneration:   |                   |                   |
| Audit fee   | 72                | 18                |
| Other services  | -                 | 11                |
| Depreciation and other amounts written off owned tangible fixed assets:                   | 2,131             | 1,131             |
| Amortisation of goodwill  | 121               | 121               |
| Operating lease payments  |                   |                   |
| Properties  | 5,185             | 4,907             |
| Other   | 4                 | 10                |
| Rents receivable  | (438)             | (441)             |
| Impairment provision  |                   |                   |
| Tangible fixed assets   | 254               | 99                |
|   | <u>          </u> | <u>          </u> |

### 3 Remuneration of Directors

The Directors received no remuneration for their services to the Company during the year (2004: £nil)

### 4 Staff numbers and costs

All staff services were provided by RAL Services Limited, a fellow subsidiary undertaking. Accordingly, the Company had no full or part-time employees, other than its Directors who were non-executive, during the year.

### 5 Other interest receivable and similar income

|                | 2005<br>£000      | 2004<br>£000      |
|----------------|-------------------|-------------------|
| Bank interest  | 194               | 178               |
| Other interest | 17                | 1                 |
|                | <u>          </u> | <u>          </u> |
|                | 211               | 179               |
|                | <u>          </u> | <u>          </u> |

### 6 Interest payable and similar charges

|   | 2005<br>£000      | 2004<br>£000      |
|---|-------------------|-------------------|
| On bank loans and overdrafts                  | 12                | 2                 |
| Other interest                                | -                 | 1                 |
| Discounted provisions - unwinding of discount | -                 | 49                |
| Finance lease charges                         | 10                | -                 |
|   | <u>          </u> | <u>          </u> |
|   | 22                | 52                |
|   | <u>          </u> | <u>          </u> |

## Notes to the Financial Statements *(continued)*

### 7 Taxation

|   | 2005<br>£000 | 2004<br>£000 |
|---|--------------|--------------|
| <i>UK corporation tax</i>               |              |              |
| Current tax on income for the year      | 4            | -            |
| Adjustments in respect of prior periods | -            | 2            |
|   | <hr/>        | <hr/>        |
| Total current tax                       | 4            | 2            |
| <i>Deferred tax (see note 13)</i>       |              |              |
| Other timing differences                | (547)        | (32)         |
|   | <hr/>        | <hr/>        |
| Tax on profit on ordinary activities    | (543)        | (30)         |
|   | <hr/> <hr/>  | <hr/> <hr/>  |

#### *Factors affecting the tax charge for the current year*

The current tax charge for the year is lower (2004: lower) than the standard rate of corporation tax in the UK 30% (2004: 30%). The differences are explained below:

|  | 2005<br>£000 | 2004<br>£000 |
|--|--------------|--------------|
| <i>Current tax reconciliation</i>                        |              |              |
| Profit on ordinary activities before tax                 | 6,406        | 6,035        |
|  | <hr/>        | <hr/>        |
| Current tax at 30%                                       | 1,922        | 1,811        |
| <i>Effects of:</i>                                       |              |              |
| Expenses not deductible for tax purposes                 | 256          | 199          |
| Depreciation in excess of capital allowances             | 380          | (71)         |
| Group relief of tax losses                               | (2,552)      | (1,924)      |
| Other short term timing differences                      | (2)          | (15)         |
| Adjustments to tax charge in respect of previous periods | -            | 2            |
|  | <hr/>        | <hr/>        |
| Total current tax charge (see above)                     | 4            | 2            |
|  | <hr/> <hr/>  | <hr/> <hr/>  |

## Notes to the Financial Statements (continued)

### 8 Intangible fixed assets

|                              | <b>Goodwill<br/>£000</b> |
|------------------------------|--------------------------|
| <i>Cost</i>                  |                          |
| At beginning and end of year | 2,536                    |
| <i>Amortisation</i>          |                          |
| At beginning of year         | 784                      |
| Charge for year              | 121                      |
| At end of year               | 905                      |
| <i>Net book value</i>        |                          |
| At 31 December 2005          | 1,631                    |
| At 1 January 2005            | 1,752                    |

Goodwill represents the excess of the consideration paid over the fair value of the assets acquired in respect of acquisitions of existing sites.

### 9 Acquisitions

On 31 December 2005, the Company acquired the trade and net assets of certain of its fellow subsidiary undertakings: RAL Services Limited ('Services'), RAL Machines Limited ('Machines') and on 1 August 2005 those of Leisure Promotions Limited ('LP') and In-To-Save Limited ('ITS').

A table of book and fair values of assets and liabilities acquired is presented below:

| Book and fair values               | Services<br>£000 | Machines<br>£000 | LP/ITS<br>£000 | Total<br>£000 |
|------------------------------------|------------------|------------------|----------------|---------------|
| Tangible fixed assets              | 391              | -                | 5,511          | 5,902         |
| Stock                              | 26               | -                | 92             | 118           |
| Debtors                            | 2,047            | 9,403            | 1,283          | 12,733        |
| Creditors                          | (5,079)          | (9,644)          | (3,164)        | (17,887)      |
| Deferred tax                       | 53               | -                | (224)          | (171)         |
| Current tax                        | -                | -                | -              | -             |
| Provisions                         | -                | -                | (59)           | (59)          |
| Total net assets/(liabilities)     | (2,562)          | (241)            | 3,439          | 636           |
| Consideration:                     |                  |                  |                |               |
| Inter-company (receivable)/payable | (2,562)          | (241)            | 3,439          | 636           |
| Goodwill arising                   | -                | -                | -              | -             |

## Notes to the Financial Statements (continued)

### 10 Tangible fixed assets

|                           | Land and buildings |                            | Fixtures,<br>fittings,<br>plant and<br>equipment | Total   |
|---------------------------|--------------------|----------------------------|--|---------|
|                           | Freehold<br>£000   | Short<br>leasehold<br>£000 | £000   | £000    |
| <b>Cost or valuation</b>  |                    |                            |  |         |
| At beginning of year      | 3,203              | 6,353                      | 12,899   | 22,455  |
| Additions                 | -                  | 11                         | 7,138  | 7,149   |
| Disposals                 | -                  | -                          | (1,373)  | (1,373) |
| Acquisitions (see note 9) | 1,820              | 726                        | 7,578  | 10,124  |
|                           | <hr/>              | <hr/>                      | <hr/>  | <hr/>   |
| At end of year            | 5,023              | 7,090                      | 26,242   | 38,355  |
|                           | <hr/>              | <hr/>                      | <hr/>  | <hr/>   |
| <b>Depreciation</b>       |                    |                            |  |         |
| At beginning of year      | 490                | 4,258                      | 9,078  | 13,826  |
| Charge for year           | 42                 | 393                        | 1,696  | 2,131   |
| Eliminated on disposal    | -                  | -                          | (169)  | (169)   |
| Impairment provision      | 18                 | (44)                       | 280  | 254     |
| Acquisitions (see note 9) | 111                | 203                        | 3,908  | 4,222   |
|                           | <hr/>              | <hr/>                      | <hr/>  | <hr/>   |
| At end of year            | 661                | 4,810                      | 14,793   | 20,264  |
|                           | <hr/>              | <hr/>                      | <hr/>  | <hr/>   |
| <b>Net book value</b>     |                    |                            |  |         |
| At 31 December 2005       | 4,362              | 2,280                      | 11,449   | 18,091  |
|                           | <hr/>              | <hr/>                      | <hr/>  | <hr/>   |
| At 1 January 2005         | 2,713              | 2,095                      | 3,821  | 8,629   |
|                           | <hr/>              | <hr/>                      | <hr/>  | <hr/>   |

Following the acquisition of RAL Holdings Ltd. and its subsidiary undertakings by Talarius Plc, the depreciation charge for the year includes an accelerated charge of £900,000 in respect of items with an acquisition cost of less than £500.

The properties were revalued by the Directors on 29 November 1996. This was based on a review of the trading results of the sites since the valuation at 31 December 1992 made by Knight Frank Chartered Surveyors, on the basis of open market value for existing use and assumed where applicable the continued benefit of licences and permits. The following information relates to assets carried at revalued amounts which have been retained under the transitional provisions set out in FRS 15 *Tangible fixed assets*.

|   | 2005<br>£000 | 2004<br>£000 |
|---|--------------|--------------|
| <b>Land and buildings</b>                       |              |              |
| Historical cost of revalued assets              | 1,548        | 1,548        |
| Aggregate depreciation based on historical cost | (382)        | (362)        |
|   | <hr/>        | <hr/>        |
| Historical cost net book value                  | 1,166        | 1,186        |
|   | <hr/>        | <hr/>        |

## Notes to the Financial Statements (continued)

### 10 Tangible fixed assets (continued)

Other tangible fixed assets, including additions subsequent to the revaluation of land and buildings, are included at cost. The gross book value of freehold land and buildings includes £1,056,000 (2004: £1,056,000) of non depreciable assets.

The Company had no commitments in respect of capital expenditure at the end of the financial year (2004: £nil).

### 11 Fixed asset investment

Fixed asset investment comprises ordinary shares in a fellow subsidiary undertaking as follows:

|                                | £ |
|--------------------------------|---|
| <i>Cost and net book value</i> |   |
| At beginning and end of year   | 1 |

### 12 Stocks

|                                      | 2005<br>£000 | 2004<br>£000 |
|--------------------------------------|--------------|--------------|
| Gift vouchers and promotional stocks | 247          | 165          |

There is no material difference between the replacement cost of stocks and the carrying value stated above.

### 13 Debtors

|                                    | 2005<br>£000  | 2004<br>£000  |
|------------------------------------|---------------|---------------|
| Trade debtors                      | 291           | 82            |
| Amounts owed by Group undertakings | 38,911        | 19,421        |
| Other debtors                      | 3             | 16            |
| Prepayments and accrued income     | 2,705         | 1,735         |
| Deferred tax asset                 | 510           | 134           |
|                                    | <u>42,420</u> | <u>21,388</u> |

The elements of deferred taxation are as follows:

|  | 2005<br>£000 | 2004<br>£000 |
|--|--------------|--------------|
| Difference between accumulated depreciation and capital allowances | 674          | 117          |
| Other timing differences   | 7            | 17           |
| Net deferred tax liability acquired (see note 9)                   | (171)        | -            |
|  | <u>510</u>   | <u>134</u>   |



## Notes to the Financial Statements *(continued)*

### 14 Creditors: amounts falling due within one year

|                                    | 2005<br>£000  | 2004<br>£000 |
|------------------------------------|---------------|--------------|
| Bank overdrafts                    | 940           | -            |
| Trade creditors                    | 2,375         | 572          |
| Amounts owed to Group undertakings | 21,105        | 362          |
| Taxation and social security       | 1,470         | 167          |
| Other creditors                    | 938           | 17           |
| Accruals and deferred income       | 2,085         | 355          |
| Finance leases                     | 93            | -            |
|                                    | <u>29,006</u> | <u>1,473</u> |

### 15 Creditors: amounts falling due after more than one year

|                                    | 2005<br>£000 | 2004<br>£000 |
|------------------------------------|--------------|--------------|
| Amounts owed to Group undertakings | <u>4,498</u> | <u>4,498</u> |

### 16 Provisions for liabilities and charges

|                                | Vacant lease<br>commitments<br>and<br>dilapidations<br>£000 |
|--------------------------------|---|
| At beginning of year           | 1,435   |
| Utilised during year           | (284)   |
| Charge for the year            | 983   |
| On acquisition                 | 59  |
| Unwinding of discounted amount | 49  |
| <b>At end of year</b>          | <u><u>2,242</u></u>   |

A discount rate of 6% was used in estimating the present value of the net cash outflows associated with the provision for vacant leases.

## Notes to the Financial Statements *(continued)*

### 16 Provisions for liabilities and charges *(continued)*

The Directors have revised their estimation of the vacant lease properties provision in that rental income from vacant properties is only included when a sublet contract is in place. In prior years the provision was reduced by actual and expected rental income. The change in estimate was a result of additional information available with regards to properties becoming vacant during the year as well as better information on rental income received in respect of prior years.

The change in estimate resulted in an additional charge to the Profit and Loss account of £834,000.

### 17 Called up share capital

|  | 2005<br>£000 | 2004<br>£000 |
|--|--------------|--------------|
| <i>Authorised</i>                            |              |              |
| Equity: 5,000,000 Ordinary shares of £1 each | 5,000        | 5,000        |
| <i>Allotted, called up and fully paid</i>    |              |              |
| Equity: 5,000,000 Ordinary shares of £1 each | 5,000        | 5,000        |

### 18 Reserves

|                              | Revaluation<br>reserve<br>£000 | Profit and<br>loss account<br>£000 |
|------------------------------|--------------------------------|------------------------------------|
| At beginning of year         | 1,674                          | 18,072                             |
| Retained profit for the year | -                              | 6,949                              |
| <b>At end of year</b>        | <b>1,674</b>                   | <b>25,021</b>                      |

The cumulative amount of positive goodwill resulting from acquisitions in earlier financial years which has been written off is £24,891,000 (2004: £24,891,000).

### 19 Equity Shareholders' funds

|                                    | 2005<br>£000  | 2004<br>£000  |
|------------------------------------|---------------|---------------|
| Profit for the financial year      | 6,949         | 6,065         |
| Opening Shareholders' funds        | 24,746        | 18,681        |
| <b>Closing Shareholders' funds</b> | <b>31,695</b> | <b>24,746</b> |

## Notes to the Financial Statements *(continued)*

### 20 Lease commitments

Annual commitments under non-cancellable operating lease rentals are:

|  | 2005                          |               | 2004                          |               |
|--|-------------------------------|---------------|-------------------------------|---------------|
|  | Land and<br>buildings<br>£000 | Other<br>£000 | Land and<br>buildings<br>£000 | Other<br>£000 |
| Operating leases which expire:         |                               |               |                               |               |
| Within one year                        | 257                           | 28            | 369                           | 10            |
| In the second to fifth years inclusive | 901                           | 86            | 626                           | -             |
| Over five years                        | 4,369                         | -             | 3,724                         | -             |
|  | <u>5,527</u>                  | <u>114</u>    | <u>4,719</u>                  | <u>10</u>     |

### 21 Ultimate parent company

The Company is controlled by its ultimate Parent company Talarius plc. The consolidated accounts of Talarius plc are available to the public and may be obtained from its registered office, 20 Black Friars Lane, London, EC4V 6HD.