Company Registration No 01940045 (England and Wales)

# RAL LIMITED

# DIRECTORS' REPORT AND FINANCIAL STATEMENTS

# FOR THE YEAR ENDED 9 JUNE 2012

# RAL LIMITED

## COMPANY INFORMATION

| | |
|---|---|
| **Directors** | P Harvey<br>K Wilson (previously Carpenter) |
| **Secretary** | K Wilson (previously Carpenter) |
| **Company number** | 01940045 |
| **Registered office** | Birch House<br>Woodlands Business Park<br>Linford Wood West<br>Milton Keynes<br>Buckinghamshire<br>England<br>MK14 6EW |
| **Independent auditors** | PricewaterhouseCoopers LLP<br>Chartered Accountants and Statutory Auditors<br>Exchange House, Central Business Exchange<br>Midsummer Boulevard<br>Milton Keynes<br>MK9 2DF |
| **Bankers** | The Royal Bank of Scotland<br>501 Silbury Boulevard<br>Saxon Gate East<br>Milton Keynes<br>MK9 3ER |
| **Solicitors** | Maitland Walker Solicitors<br>19 Imperial Square<br>Cheltenham<br>Gloucestershire<br>GL50 1QZ |

# RAL LIMITED

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# RAL LIMITED

## DIRECTORS' REPORT

## *FOR THE YEAR ENDED 9 JUNE 2012*

The directors present their report and financial statements for the year ended 9 June 2012

**Principal activities and review of the business**
The principal activity of the company is the provision and operation of licensed premises for licensed gaming centres

The Directors consider that sales and EBITDA are the key performance indicators of the business Sales for the year to 9 June 2012 decreased by 1 5% to £42m (Year ended 11 June 2011 £43m), EBITDA also decreased in the year to £5m (Year ended 11 June 2011 £6m) reflecting the impact from reduced sales and the one off costs of an internal operating structure review of RAL Limited, carried out during FY 2012 The ongoing subdued UK economy continues to hamper efforts to grow in the short term

RAL Limited achieved modest like for like gross sales growth (before the impact of VAT, which impacted net sales year on year due to the VAT rate increase in FY 2011) in contrast to the conditions in the overall UK economy, which have declined into a double dip recession, gives an indication that the trading AGC business remains relatively resilient and continues to trend towards a sustainable recovery

The Maxgaming Maxsys monitoring system is now operational across all venues in the estate The system provides fast and reliable information enabling improved capability to monitor the performance of venues enabling more proactive and effective venue management This will be an important tool in driving the future of the business as the UK economy eventually begins its recovery (see note 7)

We look forward into 2013 with renewed optimism, with new opportunities such as successfully obtaining the contract to operate the Arcade facilities within the Extra Motorway Service Areas (MSAs) This contract covers seven such venues All seven have commenced operating and have started to trade with positive results in FY 2013, in line with management's expectations This opportunity compliments and strengthens our current base business, utilising our existing expertise in machine management

RAL Limited's current operating model will be impacted from 1st February 2013, with a change in the tax legislation impacting the business The introduction of Machine Gaming Duty (MGD) and the removal of Amusement Licence Duty will impact the profitability levels of the company Management have reviewed the potential impact of the changes and despite no longer being able to reclaim VAT on purchases incurred within the business, it should provide a positive outcome for RAL Limited over the medium term

**Results and dividends**
The results for the year are set out on page 6

The directors do not recommend payment of an ordinary dividend

**Directors**
The following directors have held office since 12 June 2011

| | |
|---|---|
| P Harvey | |
| K Wilson (previously Carpenter) | |
| G Holburt | (Resigned 18 November 2011) |
| M Taylor | (Resigned 30 September 2011) |

**Employee involvement**
The company's policy is to consult and discuss with employees, through unions, staff councils and at meetings, matters likely to affect employees' interests

Information of matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance

A bonus scheme is in place which encourages employees to take active involvement in the performance of the company The Directors endeavour to keep the rewards for all employees up to date and competitive in the market place

**Disabled persons**
The company's policy is to recruit disabled workers for those vacancies that they are able to fill All necessary assistance with initial training courses is given Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities

**Creditor payment policy**
The Company does not follow any standard or code on payment practice Its policy is to ensure that terms of payment specified and agreed with the suppliers are not exceeded Creditors days based on year end trade creditors was 34 days (Year ended 11 June 2011 54 days)

**Financial Risk Management**
The Company is not exposed to credit risk, price risk, securities risk or foreign exchange risk due to the nature of the business The Company is also not exposed to any significant interest rate risk since the only interest bearing balance is the trading bank account

**Independent auditors**
The auditors, PricewaterhouseCoopers LLP, are deemed to be reappointed under section 487(2) of the Companies Act 2006

# RAL LIMITED

## DIRECTORS' REPORT (CONTINUED)

### *FOR THE YEAR ENDED 9 JUNE 2012*

**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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they 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 judgements and accounting 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,
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 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

**Statement of disclosure to auditors**
So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information

By order of the board

K Wilson (previously Carpenter)
**Secretary**
7 November 2012

# RAL LIMITED

## INDEPENDENT AUDITORS' REPORT

## TO THE MEMBERS OF RAL LIMITED

We have audited the financial statements of RAL Limited for the year ended 9 June 2012 which comprise the Profit and Loss Account, the Balance Sheet and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

**Respective responsibilities of directors and auditors**
As explained more fully in the Statement of Directors' Responsibilities set out on pages 1 - 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing

**Scope of the audit of the financial statements**
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

**Opinion on financial statements**
In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 9 June 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

**Opinion on other matter prescribed by the Companies Act 2006**
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

# RAL LIMITED

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

## TO THE MEMBERS OF RAL LIMITED

**Matters on which we are required to report by exception**
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

**Mr Paul Norbury (Senior Statutory Auditor)**
**for and on behalf of PricewaterhouseCoopers LLP**

7 November 2012

Chartered Accountants and Statutory
Auditors
Exchange House, Central Business
Exchange
Midsummer Boulevard
Milton Keynes
MK9 2DF

# RAL LIMITED

## PROFIT AND LOSS ACCOUNT

### *FOR THE YEAR ENDED 9 JUNE 2012*

| | Notes | Year ended 09/06/2012 £000 | Year ended 11/06/2011 £000 |
|---|---|---|---|
| **Turnover** | | 42,189 | 42,824 |
| Cost of sales | | (7,597) | (7,499) |
| **Gross profit** | | 34,592 | 35,325 |
| Administrative expenses | | (36,478) | (35,408) |
| **Operating loss** | 2 | (1,886) | (83) |
| Exceptional - profit / loss on sale of tangible assets | | 13 | 90 |
| **(Loss)/profit on ordinary activities before interest** | | (1,873) | 7 |
| Interest receivable and similar income | 3 | 3 | 5 |
| Interest payable and similar charges | 4 | (131) | (166) |
| **Loss on ordinary activities before taxation** | | (2,001) | (154) |
| Tax on loss on ordinary activities | 5 | (198) | (111) |
| **Loss for the year** | 15 | (2,199) | (265) |

The profit and loss account has been prepared on the basis that all operations are continuing operations

There are no recognised gains and losses other than those passing through the profit and loss account

# RAL LIMITED

## BALANCE SHEET

### *AS AT 9 JUNE 2012*

| | Notes | 09/06/2012 £000 | 09/06/2012 £000 | 11/06/2011 £000 | 11/06/2011 £000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Intangible assets | 6 | | 1,943 | | 2,226 |
| Tangible assets | 7 | | 18,760 | | 21,630 |
| Investments | 8 | | - | | - |
| | | | 20,703 | | 23,856 |
| **Current assets** | | | | | |
| Stocks | 9 | 140 | | 112 | |
| Debtors amounts falling due within one year | 10 | 9,317 | | 9,875 | |
| Debtors amounts falling due after more than one year | 10 | 3,357 | | 3,587 | |
| Cash at bank and in hand | | 5,299 | | 7,412 | |
| | | 18,113 | | 20,986 | |
| **Creditors: amounts falling due within one year** | 11 | (19,822) | | (22,311) | |
| **Net current liabilities** | | | (1,709) | | (1,325) |
| **Total assets less current liabilities** | | | 18,994 | | 22,531 |
| **Provisions for liabilities** | 12 | | (1,752) | | (3,090) |
| **Net assets** | | | 17,242 | | 19,441 |
| **Capital and reserves** | | | | | |
| Called up share capital | 14 | | 5,000 | | 5,000 |
| Revaluation reserve | 15 | | 560 | | 560 |
| Profit and loss account | 15 | | 11,682 | | 13,881 |
| **Shareholders' funds** | 16 | | 17,242 | | 19,441 |

The financial statements on page 6 to 20 were approved by the Board and signed on its behalf on 7 November 2012

P Harvey
**Director**

**Company Registration No 01940045**

**1 Accounting policies**

**1.1 Accounting convention**

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom The principal accounting policies, which have been applied consistently throughout the year, are set out below

As the Company is wholly owned by Tatts Group Limited, the Company has taken advantage of the exemption contained in Financial Reporting Standard 8 'Related party disclosures' and has therefore not disclosed transactions or balances with entities which form part of the Group The consolidated financial statements of Tatts Group Limited, within which this Company is included, can be obtained from the address given in note 22

The company has taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from the requirement to produce a cash flow statement on the grounds that it is a subsidiary undertaking where 90 percent or more of the voting rights are controlled within the group

**1 2 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

Turnover is recorded as the customer stake less cash prizes at the point the customer places their stake All turnover relates to the UK

**1.3 Goodwill**

Purchased goodwill arises on the acquisition of businesses The cost of the goodwill is recorded as the excess of the consideration together with any incidental costs of acquisition over the fair value of the net assets or liabilities acquired Purchased goodwill is amortised over a period of about 20 years, being the directors' estimate of the useful economic life

The Directors review the carrying value of intangible assets for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable

**1 4 Tangible fixed assets and depreciation**

Tangible fixed assets other than freehold land are stated at cost or valuation less depreciation Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows

| | |
|---|---|
| Freehold Land and buildings | 50 years |
| Leasehold Land and buildings | Over the life of the lease |
| Plant and machinery | 10-50% per annum |
| Computer Equipment | 14-67% per annum |
| Fixtures, Fittings and equipment | 5-50% per annum |
| Motor Vehicles | 25% per annum |
| Assets under the course of construction | Nil |

No depreciation is provided in respect of freehold land

**1.5 Leasing**

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

**1 Accounting policies** **(Continued)**

**1 6 Stock**

Stock is valued at the lower of cost and net realisable value

**1.7 Pensions**

The company operates a defined contribution scheme for the benefit of its employees Contributions payable are charged to the profit and loss account in the year they are payable

**1.8 Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date Deferred tax is measured on a discounted basis to reflect the time value of money over the period between the balance sheet date and the dates on which it is estimated that the underlying timing differences will reverse

**1.9 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 to a maximum period of 10 years, net of any rental income receivable Cash flows are discounted using an appropriate risk free rate of return

Provisions for end of lease dilapidation obligations are provided to the best estimate of the cost expected to be incurred

**1.10 Dividends**

Dividends approved and paid during the period are presented as deductions to Shareholders' funds Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements

**1 11 Rents Receivable**

Rents receivable represents rental receipts in respect of property, excluding value added tax Rents are recognised on an accruals basis, within administration expenses Rental income is a Company strategy to reduce its costs by subletting vacant properties

## 2 Operating loss

| | 09/06/2012 £000 | 11/06/2011 £000 |
|---|---|---|
| Operating loss is stated after charging | | |
| Amortisation of intangible assets | 283 | 178 |
| Depreciation of tangible assets | 6,261 | 5,563 |
| Operating lease rentals | | |
| - Plant and machinery | 289 | 269 |
| - Other assets | 6,835 | 6,976 |
| Fees payable to the company's auditor for the audit of the company's financial statements | 83 | 84 |

## 3 Interest receivable and similar income

| | 09/06/2012 £000 | 11/06/2011 £000 |
|---|---|---|
| Bank interest | 2 | 5 |
| Other interest | 1 | - |
| | 3 | 5 |

## 4 Interest payable

| | 09/06/2012 £000 | 11/06/2011 £000 |
|---|---|---|
| Other interest | 6 | - |
| Unwinding of discounts on onerous lease provision (see note 12) | 125 | 166 |

**5 Tax on loss on ordinary activities**

| | 09/06/2012 £000 | 11/06/2011 £000 |
|---|---|---|
| **Domestic current year tax** | | |
| U K corporation tax | (32) | - |
| **Total current tax** | (32) | - |
| **Deferred tax** | | |
| Origination and reversal of timing differences | (721) | (295) |
| Movement in deferred tax discount | 286 | (14) |
| Deferred tax adjustment in respect of prior periods | 221 | (19) |
| Effects of changes in tax rates and laws | 444 | 439 |
| | 230 | 111 |
| | 198 | 111 |
| **Factors affecting the tax credit for the year** | | |
| Loss on ordinary activities before taxation | (2,001) | (154) |
| Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 25 59% (11 June 2011 - 27 59%) | (512) | (42) |
| Effects of | | |
| Expenses not deductible for tax purposes | 773 | 567 |
| Difference between depreciation and capital allowances for year | 748 | 1,084 |
| Impact of rate difference between deferred and current tax | 48 | 18 |
| Standard timing differences | - | (3) |
| Losses utilised | (27) | (787) |
| Adjustment to current tax charge in respect of prior years | (32) | - |
| Group relief not paid for | (1,030) | (837) |
| | 480 | 42 |
| **Current tax credit for the year** | (32) | - |

**5 Tax on loss on ordinary activities** **(Continued)**

A number of changes to the UK Corporation tax system were announced in the March 2012 UK Budget Statement A resolution passed by Parliament on 26 March 2012 reduced the main rate of corporation tax from 26% to 24% from 1 April 2012 The rate reduction from 26% to 24% from 1 April 2012 has been substantively enacted at the balance sheet date and therefore is included in these financial statements

Legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013 is included in the Finance Act 2012 which was substantially enacted on 3 July 2012 A further reduction to the main rate is also proposed to reduce the rate to 22% from 1 April 2014 None of these rate reductions had not been substantively enacted at the balance sheet date and therefore are not included in these financial statements

The effect of the changes included in the Finance Act 2012 substantially enacted on 3 July 2012 would be to reduce the deferred tax asset provided at the balance sheet date by £140k This £140k decrease in the deferred tax asset would decrease profit by £140k This decrease in the deferred tax asset is due to the reduction in the corporation tax rate from 24 per cent to 23 per cent with effect from 1 April 2013

The proposed reduction of the main rate of corporation tax to 22% from 1 April 2014 is expected to be enacted separately The overall effect of the further change, if it applied to the deferred tax balance at the balance sheet date, would be to further reduce the deferred tax asset by an additional £140k

**6 Intangible fixed assets**

| | Goodwill £000 |
|---|---|
| **Cost** | |
| At 12 June 2011 & at 9 June 2012 | 4,841 |
| **Accumulated amortisation** | |
| At 12 June 2011 | 2,615 |
| Charge for the year | 283 |
| At 9 June 2012 | 2,898 |
| **Net book value** | |
| At 9 June 2012 | 1,943 |
| At 11 June 2011 | 2,226 |

Goodwill represents the excess of the consideration paid over the fair value of the assets acquired in respect of acquisitions of existing sites Goodwill arising is amortised over a period of 20 years

**7 Tangible fixed assets**

| | Freehold Land and buildings | Leasehold Land and buildings | Plant and machinery | Fixtures, Fittings and equipment | Motor Vehicles | Assets under the course of construction | Total |
|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Cost or valuation** | | | | | | | |
| At 12 June 2011 | 3,964 | 10,848 | 20,861 | 27,474 | 9 | 3,618 | 66,774 |
| Transfers | - | - | - | 3,993 | - | (3,993) | - |
| Additions | - | - | 2,454 | 130 | - | 853 | 3,437 |
| Disposals | - | (118) | (898) | (96) | (9) | - | (1,121) |
| At 9 June 2012 | 3,964 | 10,730 | 22,417 | 31,501 | - | 478 | 69,090 |
| **Accumulated depreciation** | | | | | | | |
| At 12 June 2011 | (555) | (8,692) | (15,818) | (20,070) | (9) | - | (45,144) |
| On disposals | - | 118 | 852 | 96 | 9 | - | 1,075 |
| Charge for the year | (64) | (357) | (3,121) | (2,719) | - | - | (6,261) |
| At 9 June 2012 | (619) | (8,931) | (18,087) | (22,693) | - | - | (50,330) |
| Net book value | | | | | | | |
| At 9 June 2012 | 3,345 | 1,799 | 4,330 | 8,808 | - | 478 | 18,760 |
| At 11 June 2011 | 3,409 | 2,156 | 5,043 | 7,404 | - | 3,618 | 21,630 |

Venue refurbishments are held as assets under the course of construction and are transferred to the relevant asset category once the project has been completed The assets are not depreciated until they are transferred from assets under the course of construction

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 FRS15 Tangible fixed assets

Comparable historical cost for the land and buildings included at valuation

| | £000 |
|---|---|
| **Cost** | |
| At 12 June 2011 & at 9 June 2012 | 709 |
| **Depreciation based on cost** | |
| At 12 June 2011 | (237) |
| Charge for the year | (14) |
| At 9 June 2012 | (251) |
| **Net book value** | |
| At 9 June 2012 | 458 |
| At 11 June 2011 | 472 |

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 £1,025,500 (Year ended 11 June 2011 £1,025,500) of non depreciable assets

## 8 Fixed asset investments

| | £000 |
|---|---|
| **Cost** | |
| At 12 June 2011 & at 9 June 2012 | 1 |
| **Net book value** | |
| At 9 June 2012 | 1 |

Fixed asset investments comprises issued Ordinary share (one share at £1 00) in fellow subsidiary undertaking RAL (Channel Islands) Limited

## 9 Stocks

| | 09/06/2012<br>£000 | 11/06/2011<br>£000 |
|---|---|---|
| Gift vouchers and promotional stocks | 140 | 112 |

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

## 10 Debtors

| | 09/06/2012<br>£000 | 11/06/2011<br>£000 |
|---|---|---|
| Trade debtors | 3 | 2 |
| Amounts owed by parent and fellow subsidiary undertakings | 7,406 | 7,389 |
| Other debtors | 4 | 14 |
| Prepayments and accrued income | 1,904 | 2,470 |
| Deferred tax asset (see note 12) | 3,357 | 3,587 |
| | 12,674 | 13,462 |

Amounts falling due after more than one year and included in the debtors above are

| | 09/06/2012<br>£000 | 11/06/2011<br>£000 |
|---|---|---|
| Other debtors | 3,357 | 3,587 |

The amounts owed by Group undertakings are repayable on demand and non-interest bearing

## 11 Creditors: amounts falling due within one year

| | 09/06/2012<br>£000 | 11/06/2011<br>£000 |
|---|---|---|
| Trade creditors | 2,092 | 3,631 |
| Amounts owed to parent and fellow subsidiary undertakings | 14,497 | 14,311 |
| Taxes and social security costs | 1,740 | 1,517 |
| Other creditors | 255 | 372 |
| Accruals and deferred income | 1,238 | 2,480 |
| | 19,822 | 22,311 |

The amounts owed to Group undertakings are repayable on demand, non-interest bearing and are not secured on the assets of the Company

No amounts included within creditors are secured on the assets of the Company

**12 Provisions for liabilities**

| | Onerous Lease £000 | Dilapidations £000 | Total £000 |
|---|---|---|---|
| Balance at 12 June 2011 | 1,783 | 1,307 | 3,090 |
| Utilised during the year | (526) | (369) | (895) |
| Charge for the year | 184 | - | 184 |
| Release of provision | (259) | (493) | (752) |
| Unwinding of discounted amount | 125 | - | 125 |
| Balance at 9 June 2012 | 1,307 | 445 | 1,752 |

Provision for dilapidations are made for the estimated cost of restoring leasehold properties to their contractual condition The provision that was released during the year was due to work on our National Leisure Limited venues being completed at a lower cost than expected The amount provided in respect of dilapidations has not been discounted

A provision is maintained for the contractual costs of vacant leasehold properties The provision is over the remaining lease period or shorter in the case of long leasehold properties where management believe they can either sublet or exit the lease A discount rate of 6% is used in estimating the present value of the net cash outflows associated with the provision for vacant leases The provision will be utilised over the next 1 to 9 years

The vacant lease provision released during the year was in respect of two leasehold properties which were sublet The full provision held in respect of these properties has not been released as the sublet terms only partially mitigate the company's liability

**The deferred tax asset (included in debtors, note 10) is made up as follows:**

| | 09/06/2012 £000 |
|---|---|
| Balance at 12 June 2011 | (3,587) |
| Profit and loss account | 230 |
| Balance at 9 June 2012 | (3,357) |

| | 09/06/2012 £000 | 11/06/2011 £000 |
|---|---|---|
| Difference between depreciation and capital allowances | (5,737) | (5,577) |
| Other timing differences | (27) | (93) |
| Tax losses available | (291) | (329) |
| | (6,055) | (5,999) |
| Discount | 2,698 | 2,412 |
| Discounted asset for deferred taxation | (3,357) | (3,587) |

**13 Pension and other post-retirement benefit commitments**

**Defined contribution**

| | 09/06/2012 £000 | 11/06/2011 £000 |
|---|---|---|
| Contributions payable by the company for the year | 231 | 220 |
| Contributions payable to the fund at the year end and included in creditors | (87) | (69) |

**14 Called up share capital**

| | 09/06/2012 £000 | 11/06/2011 £000 |
|---|---|---|
| **Authorised** | | |
| 5,000,000 Ordinary shares of £1 each | 5,000 | 5,000 |
| **Allotted, called up and fully paid** | | |
| 5,000,000 Ordinary shares of £1 each | 5,000 | 5,000 |

**15 Statement of movements on profit and loss account**

| | Revaluation reserve £000 | Profit and loss account £000 |
|---|---|---|
| Balance at 12 June 2011 | 560 | 13,881 |
| Loss for the year | - | (2,199) |
| Balance at 9 June 2012 | 560 | 11,682 |

**16 Reconciliation of movements in shareholders' funds**

| | 09/06/2012 £000 | 11/06/2011 £000 |
|---|---|---|
| Loss for the financial year | (2,199) | (265) |
| Opening shareholders' funds | 19,441 | 19,706 |
| Closing shareholders' funds | 17,242 | 19,441 |

### 17 Contingent liabilities

A contingent liability has arisen in respect of a counter claim following a European Court of Justice case (Linneweber)

HMRC have sought to challenge the treatment of certain S16 machines and reclassify them as "subject to VAT" and a higher rate of machine licence duty Previously HMRC had given rulings to British Amusement Catering Trade Association (BACTA) that these machines were exempt from Value Added Tax and subject to Amusement Machine Licence Duty (AMLD) band A (£250 per machine)

The contingent liability is approximately £5m Based on professional advice received the Directors believe that it is probable that the amount will not be payable

### 18 Financial commitments

At 9 June 2012 the company was committed to making the following payments under non-cancellable operating leases in the year to 9 June 2013

| | Land and buildings | | Other | |
|---|---|---|---|---|
| | 09/06/2012 | 11/06/2011 | 09/06/2012 | 11/06/2011 |
| | £000 | £000 | £000 | £000 |
| Operating leases which expire | | | | |
| Within one year | 549 | 525 | 29 | 76 |
| Between two and five years | 2,587 | 2,432 | 573 | 274 |
| In over five years | 4,137 | 4,316 | - | - |
| | 7,273 | 7,273 | 602 | 350 |

### 19 Capital commitments

| | 09/06/2012 | 11/06/2011 |
|---|---|---|
| | £000 | £000 |
| At 9 June 2012 the company had no capital commitments | | |
| Contracted for but not provided in the financial statements | - | 100,000 |

## 20 Directors' remuneration

| | 09/06/2012 £000 | 11/06/2011 £000 |
|---|---|---|
| Aggregate emoluments | 517 | 604 |
| Company pension contributions to defined contribution schemes | 59 | 66 |
| Compensation for loss of office | 96 | - |
| | 672 | 670 |

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (11 June 2011 - 4)

Remuneration disclosed above includes the following amounts paid to the highest paid director

| | 09/06/2012 £000 | 11/06/2011 £000 |
|---|---|---|
| Aggregate emoluments | 243 | 225 |
| Company pension contributions to defined contribution schemes | 37 | 37 |

## 21 Employees

**Number of employees**

The average monthly number of employees (including directors) during the year was

| | 09/06/2012 Number | 11/06/2011 Number |
|---|---|---|
| Operating | 887 | 817 |
| Administration | 95 | 93 |
| | 982 | 910 |

| **Employment costs** | 09/06/2012 £000 | 11/06/2011 £000 |
|---|---|---|
| Wages and salaries | 13,388 | 13,156 |
| Social security costs | 949 | 988 |
| Other pension costs | 231 | 220 |
| | 14,568 | 14,364 |

### 22 Control

The immediate parent undertaking is Talarius Limited

The ultimate parent company is Tatts Group Limited, a company incorporated in Australia

Tatts Group Limited is the parent undertaking of the largest and smallest group of undertakings to consolidate these financial statements at 9 June 2012 The consolidated financial statements of Tatts Group limited are available from 615 St Kilda Road, Melbourne, Victoria, 3004, Australia