

RAL LIMITED

Annual Report and Financial Statements

For the year ended 31 December 2018



RAL LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2018

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RAL LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

T Allison
P Hyman
Z Mersich
N Paramore

COMPANY SECRETARY

N Paramore

REGISTERED OFFICE

Birch House
Woodlands Business Park
Linford Wood
Milton Keynes
Buckinghamshire
United Kingdom
MK14 6EW

BANKERS

Barclays Bank PLC
Barclays House
5 St Ann's Street
Newcastle Upon Tyne
Tyne and Wear
United Kingdom
NE1 3DX

AUDITOR

Deloitte LLP
Statutory Auditor
Bristol
United Kingdom

RAL LIMITED

STRATEGIC REPORT

The directors, in preparing this Strategic Report, have complied with s414C of the Companies Act 2006.

REVIEW OF THE BUSINESS

RAL Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the company's registered office is shown on page 1. The principal activity of the company during the period was the provision of leisure services and entertainment activities.

The directors are pleased with the performance for the year to 31 December 2018, with strong sales and conversion to profit from the company's Adult Gaming Centre (AGC) business. The year 2017 was impacted by a consultation process to integrate the central management structure of RAL Limited with Luxury Leisure, this resulted in a very low cost base in 2017. Recruitment was on hold for a period of 5 months resulting in payroll and other operating costs being artificially low. The RAL property estate has seen major under investment in recent years, plans were implemented in 2018 to address this matter. Continued investment in new machines and games content combined with focused marketing initiatives ensured the business remained competitive in the market. During the year the majority of venues were rebranded to "Admiral". The exceptions are a couple of venues that are planned to be refurbished by early 2019 and the trading names will change as part of this project.

On 12 September 2018 the company was restructured within the Novomatic Group. The company was sold by Novomatic UK Limited and acquired as a direct subsidiary by Talarius Limited.

KEY PERFORMANCE INDICATORS

The directors deem turnover and profit before tax as the key performance indicators within the business. Turnover is the key driver for the business and is reported on a daily, weekly and monthly basis. Ongoing investment with business intelligence tools allows improved interrogation of all business activity. The turnover for the year ended 31 December 2018 was £72,769,455, compared to the year ended 31 December 2017 of £69,737,474. The pre-tax profit for the year ended 31 December 2018 was £8,221,399, compared to a pre-tax profit of £11,047,089 for the year ended 31 December 2017. The company operates a number of approval processes for all operating expenses enabling management to continually monitor and review expenses against budget reducing any risk to profit.

During the year 2017 the company benefitted from a waived inter-company loan of £1,786,108. Net current assets were £2,323,355 (2017: £1,490,152). In the context of the competitiveness of the market and general economic climate the directors were satisfied with the performance of these measures.

PRINCIPAL RISKS AND UNCERTAINTIES

The company is exposed to a variety of financial risks which result from both its operating and investing activities. The board is responsible for coordinating the company's risk management and focuses on actively securing the company's short to medium term cash flows.

The future profitability of the company could be at risk due to the environment it operates within, due to changes in government legislation, Brexit and the UK economy that could impact the gambling industry.

The directors have specifically assessed the exposure in areas that may be affected by Brexit:

- The customer base is very diverse in all areas of the business. The company has an element of European customers but is not reliant on these customers.
- The company operates a non-discriminatory employment policy and consideration is giving to all potential employees that can prove they are eligible to work in the United Kingdom. The company has European employees as a result of its employment policies but does not consider the business is reliant on this element of the workforce.
- Primary equipment is sourced within the United Kingdom and from the Austrian based parent company Novomatic AG. Replacement equipment is purchased to improve the customer offer. The company recognises lead times and costs may change depending on the outcome of Brexit.

The directors are satisfied that appropriate strategies have been developed, to ensure the company is able to minimise the effect of any adverse impacts which could affect company results. The company has demonstrated in previous years its ability to react to adverse economic conditions to protect the profitability of the business.

RAL LIMITED

STRATEGIC REPORT (continued)

FINANCIAL RISK MANAGEMENT

The company does not actively engage in the trading of financial assets and has no financial derivatives.

The most significant financial risks to which the company is exposed to are described below.

Liquidity risk

The company seeks to manage risks to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Working capital requirements are met principally out of cash.

FUTURE DEVELOPMENTS

The company continues to focus on investment to ensure it provides its customers, current and new, with the best possible offer. This will include continual focus on investment in machines, people and processes. To ensure venues complement the machine estate and meet customer expectations a number of internal refurbishments will take place during the new financial year alongside the continued rollout of the Admiral brand with all AGC venues operating under this brand by the end of the year.

In November 2018 the government announced that the implementation date on the reduced maximum stake of £2 on Fixed Odds Betting Terminal (FOBTs), will be brought forward to April 2019 which should see a benefit to the company. As such management have implemented new strategies for 2019 in order to focus on this opportunity and capitalise on the potential growth following the changes.

GOING CONCERN

The directors have assessed the balance sheet and likely future cash flows of the company for at least 12 months from the date of approving the financial statements. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in note 2 to the financial statements.

Approved by the Board of Directors
and signed on behalf of the Board



Z Mersich
Director
28 June 2019

RAL LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2018.

A discussion of likely future developments, going concern, principal risks and uncertainties and financial risk management has been made within the Strategic Report on pages 2 and 3.

DIVIDENDS

During the year the directors declared and paid a final dividend of £7,000,000 (2017: £12,374,021) to Talarius Limited. In addition, in 2017, an interim dividend was paid to Novomatic UK Limited, the previous parent undertaking, of £6,500,000. This equates to £1.40 per ordinary share (2017: £3.77 per ordinary share). The directors do not recommend the payment of any further dividends.

DIRECTORS

The directors of the company, who served throughout the financial year and subsequently, are as shown on page 1.

DISABLED PERSONS

During the period, the company has given as much consideration as possible to applications for employment submitted by disabled persons, having regard to their particular aptitudes and abilities. Disabled employees receive appropriate training to promote their career development within the company. Employees who become disabled are retained in their existing post wherever possible or retrained for suitable alternative employment.

EMPLOYEE INVOLVEMENT

During the period, the company's well established system of briefing has continued in order to provide employees with information on matters of concern to them and regarding the company's activities and progress generally. This includes:

- Admiral News issued bi-monthly to all employees advising new developments, investments, company and group updates, incentive schemes and charity events.
- Admiral Academy introduced in 2018 to advise staff of training opportunities to improve their personal development and the opportunity of future promotion.
- Incentive schemes operate for all employees throughout the year, encouraging staff to take a greater interest in the company's performance.
- Regular communications updating staff with performance indicators.

AUDITOR

In the case of each of the persons who are directors of the company at the date when this report is approved:

- so far as each of the directors is aware, there is no relevant audit information of which the company's auditor is unaware; and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have indicated their willingness to continue in office as the company's auditor and a resolution for their reappointment will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



Z Mersich
Director
28 June 2019

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual 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), including FRS 101 "Reduced Disclosure Framework". 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; 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 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF RAL LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of RAL Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 25.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council (FRC)'s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF RAL LIMITED (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

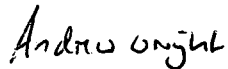
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law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

We have nothing to report in respect of these matters.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF
RAL LIMITED (continued)**

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.



Andrew Wright (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Bristol, United Kingdom

29 June 2019

RAL LIMITED

PROFIT AND LOSS ACCOUNT For the year ended 31 December 2018

		2018	2017
		£	Restated (Note 4) £
	Note		
Turnover	5	72,769,455	69,737,474
Cost of sales		(40,751,677)	(37,596,069)
Gross profit		32,017,778	32,141,405
Administrative expenses excluding exceptional items		(23,952,513)	(23,374,699)
Exceptional items	6	-	1,786,108
Total administrative expenses		(23,952,513)	(21,588,591)
Operating profit		8,065,265	10,552,814
Profit on disposal of assets		353,384	624,251
Profit before interest		8,418,649	11,177,065
Interest receivable and similar income	7	65	96
Interest payable and similar expenses	8	(197,315)	(130,072)
Profit before taxation	9	8,221,399	11,047,089
Tax on profit	12	(1,577,545)	(1,806,505)
Profit for the financial year/period		6,643,854	9,240,584

All amounts derive from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME For the year ended 31 December 2018

	2018	2017
	£	£
Profit for the year	6,643,854	9,240,584
Items that will not be reclassified subsequently to profit or loss:		
Realised gain on revaluation of tangible fixed assets	-	420,000
Balance at 31 December	6,643,854	9,660,584

The notes on pages 12 to 28 form an integral part of these financial statements.

RAL LIMITED

BALANCE SHEET As at 31 December 2018

	Note	2018 £	2017 £
Fixed assets			
Intangible fixed assets	13	2,217,641	2,247,713
Tangible fixed assets	14	18,928,097	20,320,246
		<u>21,145,738</u>	<u>22,567,959</u>
Current assets			
Stocks	15	33,000	51,861
Debtors:			
- due within one year	16	3,605,157	3,084,986
- due after one year	16	2,646,959	3,072,810
Cash at bank and in hand		5,908,502	7,824,022
		<u>12,193,618</u>	<u>14,033,679</u>
Creditors: amounts falling due within one year	17	<u>(9,870,263)</u>	<u>(12,543,527)</u>
Net current assets		<u>2,323,355</u>	<u>1,490,152</u>
Total assets less current liabilities		<u>23,469,093</u>	<u>24,058,111</u>
Provisions for liabilities	18	<u>(1,757,643)</u>	<u>(1,990,515)</u>
Net assets		<u>21,711,450</u>	<u>22,067,596</u>
Capital and reserves			
Called-up share capital	19	5,000,000	5,000,000
Revaluation reserve	19	514,175	514,175
Profit and loss account	19	16,197,275	16,553,421
Shareholder's funds		<u>21,711,450</u>	<u>22,067,596</u>

The financial statements of RAL Limited, registered number 01940045, were approved by the Board of Directors and authorised for issue on 28 June 2019.

Signed on behalf of the Board of Directors



N Paramore
Director

The notes on pages 12 to 28 form an integral part of these financial statements.

RAL LIMITED

STATEMENT OF CHANGES IN EQUITY **As at 31 December 2018**

	Called up share capital (note 19) £	Revaluation reserve (note 19) £	Profit and loss account (note 19) £	Total £
Balance at 1 January 2017	5,000,000	934,175	25,766,858	31,701,033
Profit for the year	-	-	9,240,584	9,240,584
Revaluation reserve movement (note 19)	-	(420,000)	420,000	-
Total comprehensive income	-	(420,000)	9,660,584	9,240,584
Dividends Paid (note 19)	-	-	(18,874,021)	(18,874,021)
Balance at 31 December 2017	5,000,000	514,175	16,553,421	22,067,596
Profit for the year	-	-	6,643,854	6,643,854
Dividends paid (note 19)	-	-	(7,000,000)	(7,000,000)
Balance at 31 December 2018	5,000,000	514,175	16,197,275	21,711,450

The notes on pages 12 to 28 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL INFORMATION

RAL Limited is a private limited company incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the company's registered office is shown on page 1. The nature of the company's operations and its principal activities are set out in the business review on page 2.

These financial statements are presented in pounds sterling which is the currency of the primary economic environment in which the company operates.

These financial statements are separate financial statements. The company is exempt from the preparation and delivery of consolidated financial statements, because it is included in the group accounts of Novomatic AG. The group accounts of Novomatic AG are available to the public and can be obtained as set out in note 23.

Adoption of new and revised Standards

Amendments to IFRS Standards and the new Interpretation that are mandatorily effective for the current year

Impact of initial application of IFRS 9 *Financial Instruments*

Background to IFRS 9

In the current year, the company has applied IFRS 9 *Financial Instruments* (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives.

IFRS 9 introduced new requirements for:

1. The classification and measurement of financial assets and financial liabilities,
2. Impairment of financial assets, and
3. General hedge accounting.

Details of these new requirements as well as their impact on the company's financial statements are described below.

The company has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

Classification and measurement of financial assets

The date of initial application (i.e. the date on which the company has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 January 2018.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);
- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the company may make the following irrevocable election / designation at initial recognition of a financial asset:

- the company may irrevocably elect to present subsequent changes in fair value of an equity investment that is not held for trading in other comprehensive income; and
- the company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

1. GENERAL INFORMATION (continued)

Impact of IFRS 9 *Financial Instruments* on RAL Limited

The directors of the company reviewed and assessed the company's existing financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the company's financial assets as regards their classification and measurement.

Classification and measurement of financial liabilities

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer. Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

The application of IFRS 9 has had no impact on the classification and measurement of the company's financial liabilities.

Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the company to recognise a loss allowance for expected credit losses on:

1. Debt investments measured subsequently at amortised cost; and,
2. Trade debtors and contract assets.

In particular, IFRS 9 requires the company to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the company is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade debtors and contract assets in certain circumstances.

The application of the IFRS 9 impairment requirements has no impact on the company's loss allowance recognised in the financial statements.

General hedge accounting

The company does not have any hedge accounting activities and therefore there is no impact arising from the changes in IFRS 9.

Impact of application of IFRS 15 *Revenue from Contracts with Customers*

In the current year, the company has applied IFRS 15 *Revenue from Contracts with Customers* (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition. More prescriptive guidance has been added in IFRS 15 to deal with specific scenarios.

The company's accounting policies for its revenue streams are disclosed in detail in further detail in note 2 below. Apart from providing more extensive disclosures for the company's revenue transactions, the application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the company.

RAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL INFORMATION (continued)

IFRS 16 Leases

The adoption of IFRS 16 'Leases' from 1 January 2019 is expected to have an impact on both the company's balance sheet and profit and loss account. For those leases where it is the lessee, the company will be required to recognise assets and liabilities in the balance sheet in the majority of cases, and recognition of depreciation and finance costs is required in the profit and loss account. The company is undertaking a detailed assessment to determine the overall impact of IFRS 16 on its results and financial position, which will clearly depend upon the transition options selected and the specific circumstances at the date of adoption.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. These financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

These financial statements are separate financial statements. As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, share-based payment, non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the group financial statements of Novomatic AG. The group financial statements of Novomatic AG are available to the public and can be obtained as set out in note 23.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services. The principal accounting policies adopted are set out below.

Going concern

The company meets its day-to-day working capital requirements through an on-going overdraft facility that is reviewed annually. The current economic conditions create uncertainty, particularly over the availability of bank finance in the foreseeable future. The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current facility.

The directors have assessed the balance sheet and likely future cash flows of the company for at least 12 months from the date of approving the financial statements. The company has net assets of £21,711,450 (2017: £22,067,596).

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the financial statements.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised within administrative expenses on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The intangible asset arising from the purchase of software by the company is amortised over a period of 5 years.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. The intangible asset arising from Goodwill is reviewed in line with the impairment policy below.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)**Derecognition of intangible assets**

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Tangible fixed assets

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at their revalued amounts as described below. Depreciation on revalued buildings is charged to income. On the subsequent sale or scrapping of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the company's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. Freehold land is not depreciated.

Fixtures and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Freehold buildings	50 years
Leasehold buildings	Term of lease
Fixture and fittings	5 to 67% per annum
Plant and machinery	10 to 50% per annum

Residual value is calculated on prices prevailing at the date of acquisition or revaluation. Useful lives and residual values are reviewed at the end of every reporting period.

Impairment of tangible and intangible assets

At each balance sheet date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior period. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

RAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and costs to be incurred in marketing, selling and distribution. Provision is made for obsolete, slow-moving or defective items where appropriate.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Turnover

Turnover represents receipts from the provision of leisure services and entertainment facilities, exclusive of machine gaming duty and value added tax (where applicable) in the United Kingdom. Turnover is recognised at the point of receipt, as the company is a cash business.

Pension costs

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

The company as lessee

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

The company as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Loans and receivables

Trade debtors, loans, and other debtors that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Finance costs

As explained below, where financial liabilities are measured at amortised cost using the effective interest method, interest expense is recognised on an effective yield basis in profit or loss within finance costs.

Finance costs which are directly attributable to the construction of tangible fixed assets are capitalised as part of the cost of those assets. The commencement of capitalisation begins when both finance costs and expenditures for the asset are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognised in other comprehensive income and released to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

RAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the company's accounting policies, which are described in note 2 above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the company's accounting policies

The directors do not deem there to be any critical judgements made in the process of applying the company's accounting policies.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Goodwill impairment (see note 13)

Goodwill arose on the acquisition of adult gaming centres. Goodwill is not amortised but is reviewed for impairment at least annually. Impairment testing requires estimations of the goodwill's recoverable amount against its carrying value, which involves an assessment of its value in use. An impairment review was performed as at 31 December 2018 where a value in use calculation was performed, using estimated future cash flows expected to arise and a suitable discount rate in order to calculate a present value.

The key inputs / assumptions used in the goodwill impairment review were as follows:

- The discount rate used was 10.19% (2017: 9.29%)
- The forecasts used in the calculation were the approved 5 year budgets, with a future growth rate of 2% assumed into perpetuity (2017: 2%)

Dilapidations provision (see note 18)

The company makes estimates regarding the provisions required for dilapidations on each of its operating properties. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. The provision is measured using the cash flows estimated to settle the present obligation and its carrying amount is the present value of those cash flows.

RAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. PROFIT AND LOSS ACCOUNT PRIOR YEAR RESTATEMENT

Following the integration of the head office functions of Luxury Leisure and RAL Limited in 2017, which include the integration of systems and finance functions, differences with reporting categorisation was identified. The Directors have reviewed the differences and have taken the decision to align reporting for 2018. The Profit and Loss account for 2017 is restated so figures are comparable to 2018.

The changes do not impact the reported profit for 2017 the changes merely see a movement in the main between cost of sales and administrative expenses. The table below details the main movements.

	Staff costs £	Machine depreciation £	Marketing costs £	Other expenses £	Property rental income £	Total £
Turnover	-	-	-	-	266,121	266,121
Cost of sales	(14,721,081)	(2,974,126)	(754,360)	(775,813)	-	(19,225,380)
Admin expenses	14,721,081	2,974,126	754,360	775,813	(266,121)	18,959,259
	-	-	-	-	-	-

5. TURNOVER

An analysis of the company's revenue (including turnover) by category is as follows. All revenue was earned within the United Kingdom.

	2018 £	2017 Restated £
Continuing operations		
Sales of goods	72,554,137	69,470,521
Rendering of services	1,155	1,254
Rental income	214,163	265,699
Total turnover	72,769,455	69,737,474
Interest receivable and similar income (note 7)	65	96
Total revenue	72,769,520	69,737,570

6. EXCEPTIONAL ITEMS

	2018 £	2017 £
Intercompany loans waived	-	1,786,108

RAL LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 December 2018

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	2018 £	2017 £
Interest income	<u>65</u>	<u>96</u>

8. INTEREST PAYABLE AND SIMILAR EXPENSES

	2018 £	2017 £
Interest payable on bank overdrafts and loans	487	98
Other interest payable	318	5,898
Interest payable to group undertakings	516	-
Unwinding of discounting of provisions	195,994	124,076
	<u>197,315</u>	<u>130,072</u>

9. PROFIT BEFORE TAX

Profit before taxation is stated after charging:

	2018 £	2017 £
Depreciation of tangible fixed assets: owned	5,465,152	4,564,614
Amortisation of software included in administrative expenses	30,072	7,580
Cost of stock recognised as an expense	263,505	172,693
Operating lease rentals:		
- Plant and machinery	-	321,735
- Other assets	6,462,265	7,540,768
Staff costs (see note 11)	<u>15,727,909</u>	<u>18,252,580</u>

10. AUDITOR'S REMUNERATION

Fees payable to Deloitte LLP and their associates for the audit of the company's financial statements were £80,000 (2017: £82,000).

RAL LIMITED**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 December 2018****11. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	2018 £	2017 £
Wages and salaries (including directors)	14,538,819	17,051,859
Social security (including directors)	835,905	880,863
Pension contributions (including directors)	353,185	319,858
	<u>15,727,909</u>	<u>18,252,580</u>

The average monthly number of employees during the period (including directors) was as follows:

	No.	No.
Administration	-	62
Arcade operations	997	964
Total	<u>997</u>	<u>1,026</u>

T Allison, Z Mersich and N Paramore were remunerated by the parent company, Novomatic UK Limited, for their services to the group.

P Hyman was remunerated by Luxury Leisure, another subsidiary of Novomatic UK Limited.

It is not possible to apportion amounts between services to each company individually. Full disclosure of remuneration to directors is provided in the appropriate financial statements, as described above.

RAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

12. TAX CHARGE ON PROFIT

	2018 £	2017 £
Current taxation		
Current tax on income for the period at 19% (2017: 19.25%)	1,217,755	1,215,200
Adjustment in respect of prior years	(66,061)	274,436
Total current tax	<u>1,151,694</u>	<u>1,489,636</u>
Deferred tax		
Current period	488,035	618,311
Adjustment in respect of previous periods	(10,812)	(229,269)
Effect of change of tax rates	(51,372)	(72,173)
	<u>425,851</u>	<u>316,869</u>
Tax for the year	<u><u>1,577,545</u></u>	<u><u>1,806,505</u></u>

The difference between the current taxation shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows. The effective tax rate is higher (2017: lower) than the standard rate of tax:

	2018 £	2017 £
Profit before tax	<u>8,221,399</u>	<u>11,047,089</u>
	£	£
Tax on profit at 19% (2017: 19.25%)	1,562,066	2,126,186
Factors affecting charge for the year		
Adjustment in respect of prior years	(76,873)	45,167
Expenses not deductible for tax purposes	143,724	51,090
Income not taxable	-	(343,765)
Tax rate changes	(51,372)	(72,173)
Current tax charge for the year	<u><u>1,577,545</u></u>	<u><u>1,806,505</u></u>

The standard rate of corporation tax in the UK reduced from 20% to 19% with effect from 1 April 2017. Accordingly the company's profits for the comparative accounting period were taxed at an effective rate of 19.25%.

The Finance Act 2016 which was enacted in September 2016 announced a further reduction in the standard rate of corporation tax to 17% with effect from 1 April 2020.

RAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

13. INTANGIBLE FIXED ASSETS

	Goodwill £	Software £	Total £
Cost or valuation			
At 1 January 2018	5,380,522	150,444	5,530,966
Additions	-	-	-
	<u>5,380,522</u>	<u>150,444</u>	<u>5,530,966</u>
At 31 December 2018	<u>5,380,522</u>	<u>150,444</u>	<u>5,530,966</u>
Amortisation and impairment			
At 1 January 2018	3,275,673	7,580	3,283,253
Charge for the year	-	30,072	30,072
	<u>3,275,673</u>	<u>37,652</u>	<u>3,313,325</u>
At 31 December 2018	<u>3,275,673</u>	<u>37,652</u>	<u>3,313,325</u>
Net book value			
At 31 December 2018	<u>2,104,849</u>	<u>112,792</u>	<u>2,217,641</u>
At 31 December 2017	<u>2,104,849</u>	<u>142,864</u>	<u>2,247,713</u>

The goodwill arose on the acquisition of adult gaming centres.

Goodwill is tested annually for impairment. Each venue is assessed as an individual cash generating unit, and the recoverable amount of goodwill is calculated with reference to the venues value in use based on annual budget figures. Key sources of estimation of uncertainty in relation to the impairment of goodwill have been included in note 3.

No impairment entries have been processed as at 31 December 2018 (2017: £nil).

The software cost relates to Microsoft Navision, a financial accounting system installed within various Novomatic UK subsidiaries. The amortisation period for the costs incurred is 5 years.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018
14. TANGIBLE FIXED ASSETS

	Freehold properties £	Short leasehold properties £	Fixtures, fittings and equipment £	Plant and machines £	Total £
Cost or valuation					
At 1 January 2018	982,785	21,739,027	19,846,349	36,217,729	78,785,890
Additions	-	1,032,426	1,101,485	2,087,293	4,221,204
Disposals	-	(775,577)	1,674,224	(5,290,316)	(4,391,669)
At 31 December 2018	982,785	21,995,876	22,622,058	33,014,706	78,615,425
Depreciation					
At 1 January 2018	223,931	19,972,336	14,510,292	23,759,085	58,465,644
Disposals	-	(746,549)	1,776,860	(5,273,779)	(4,243,468)
Charge for the year	12,656	487,066	951,148	4,014,282	5,465,152
At 31 December 2018	236,587	19,712,853	17,238,300	22,499,588	59,687,328
Net book value					
At 31 December 2018	746,198	2,283,023	5,383,758	10,515,118	18,928,097
At 31 December 2017	758,854	1,766,691	5,336,057	12,458,644	20,320,246

The recoverable amount is determined as the higher of value in use and fair value less costs of disposal. In determining an asset's recoverable amount, the directors are required to make judgements, estimates and assumptions that impact on the carrying value of the properties. The estimates and assumptions used are based on historical experience and other facts that are believe to be reasonable based on information available.

15. STOCKS

	2018 £	2017 £
Consumables	33,000	51,861

Consumables charged to the profit and loss in the period totalled £263,505 (2017: £172,693). There was a significant increase in uniform costs in the year due to the rebranding of venues to Admiral.

RAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS **For the year ended 31 December 2018**

16. DEBTORS

	2018 £	2017 £
Amounts falling due within one year:		
Trade debtors	393,435	8,489
Amounts owed by group undertakings	-	26,575
Other debtors	11,260	17,950
Prepayments and accrued income	3,200,462	3,031,972
	<u>3,605,157</u>	<u>3,084,986</u>

Amounts falling due after more than one year:

	Accelerated tax depreciation £	Temporary trading differences £	Total £
Deferred tax			
At 1 January 2018	2,854,820	217,990	3,072,810
Prior year adjustment	458	10,354	10,812
Charged to profit and loss for the year	(359,419)	(77,244)	(436,663)
At 31 December 2018	<u>2,495,859</u>	<u>151,100</u>	<u>2,646,959</u>

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 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 reverse based on tax rates and law that have been enacted or substantively enacted by the balance sheet date.

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £	2017 £
Trade creditors	1,221,302	1,007,481
Amounts owed to group undertakings	211,982	3,403,175
Corporation tax payable	1,217,755	721,469
Other taxation and social security	4,195,764	3,727,885
Other creditors	1,059,767	458,531
Accruals and deferred income	1,963,693	3,224,986
	<u>9,870,263</u>	<u>12,543,527</u>

Amounts owed to group undertakings are unsecured, repayable on demand and attract no interest.

RAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

18. PROVISIONS

	Onerous lease £	Property provision £	Total £
At 1 January 2018	153,345	1,837,170	1,990,515
Additional provision in the period	-	274,000	274,000
Utilisation of provision	(71,844)	(623,022)	(694,866)
Release of provision	-	(8,000)	(8,000)
Discounting	1,806	194,188	195,994
At 31 December 2018	83,307	1,674,336	1,757,643

The provision for property represents the present value of the future payments that the company is estimated to make as determined by the lease in place, which could be upon vacating the premises.

The provision for onerous leases represents the present value of estimated future unavoidable costs of meeting obligations under lease contracts exceeding the economic benefits expected to be received under it.

19. CALLED-UP SHARE CAPITAL AND RESERVES

	2018 £	2017 £
Allotted, called-up and fully-paid		
5,000,000 ordinary shares of £1 each	5,000,000	5,000,000

The company has one class of ordinary shares which carry no right to fixed income.

The profit and loss reserve represents cumulative profits or losses net of dividends paid and other adjustments.

During the year the directors declared and paid a final dividend of £7,000,000 (2017: £12,374,021) to Talarius Limited. In addition, in 2017, an interim dividend was paid to Novomatic UK Limited, the previous parent undertaking, of £6,500,000.

The total of dividends paid in the year equates to £1.40 per share (2017: £3.77 per share).

The revaluation reserve represents the fair value movements in freehold land and buildings.

RAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

20. DEFINED CONTRIBUTION SCHEMES

The company operates defined contribution retirement benefit schemes for all qualifying employees. The total cost charged to income of £353,185 (2017: £319,858) represents contributions payable to these schemes by the company at rates specified in the rules of the plans. As at 31 December 2018, contributions of £92,451 (2017: £92,794) due in respect of the current year had not been paid over to the schemes.

21. FINANCIAL COMMITMENTS

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018		2017	
	Land and buildings £	Other £	Land and buildings £	Other £
- within one year	5,533,338	-	5,429,189	8,603
- between two and five years	18,258,445	-	17,710,550	2,687
- after five years	12,989,540	-	14,146,540	-
	<u>36,781,323</u>	<u>-</u>	<u>37,286,279</u>	<u>11,290</u>

Operating lease payments represent rentals payable by the group for certain of its arcades, office properties and contract car hire. Leases are negotiated for an average term of 10 years with five-year rent reviews. Leases of land and buildings provide for the lessee to pay all insurance, maintenance and repair costs. Contract car hire had an average contract term of 3 years, all leases were novated to sister company Luxury Leisure.

22. 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 the British Amusement Catering Trade Association (bacta) that these 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. Any change in the risk profile from probable to possible remains the liability of the historical ultimate parent undertaking Tatts Group Limited.

RAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

23. ULTIMATE PARENT COMPANY

Prior to 12 September 2018, the immediate parent company was Novomatic UK Limited, a company registered in England and Wales. On 12 September 2018 the company was acquired by Talarius Limited, as a direct subsidiary, a company incorporated in England and Wales (a subsidiary of Novomatic UK Limited).

The ultimate parent company is Novo Invest GmbH, a company registered in Austria.

Novomatic AG is the parent of the smallest group of which the company is a member and for which group financial statements are drawn up. Copies of the group financial statements of Novomatic AG can be obtained from Novomatic AG, Wiener Strasse 158, A-2352 Gumpoldskirchen, Austria, which is the registered office of the company.

Novo Invest GmbH is the parent of the largest group of which the company is a member and for which group financial statements are drawn up. Copies of the group financial statements of Novo Invest GmbH can be obtained from Novo Invest GmbH, Wiener Strasse 158, A-2352 Gumpoldskirchen, Austria, which is the registered office of the company.

24. ULTIMATE CONTROLLING PARTY

The ultimate controlling party is Mr Johann F Graf.

25. SUBSEQUENT EVENTS

There are no subsequent events after the reporting date which require disclosure.