Aspers (Newcastle) Limited

(Formerly Aspinall's (Newcastle) Limited)
(Registered Number: 04655461)

Directors' Report and Financial Statements

For the year ended 30 June 2010

Aspers (Newcastle) Limited

Directors' Report for the year ended 30 June 2010

The directors have pleasure in submitting their report and the audited financial statements of the company for the year ended 30 June 2010

Change of Name

On 2 February 2011 the company changed its name to Aspers (Newcastle) Limited

Principal activity and review of the business

The principal activity of the company is the business of managing licensed gaming establishments

The company's key financial performance indicators during the year were as follows -

	2010	2009	change
	£'000	£'000	%
Revenue	12,886	11,751	10
EBITDA	2,504	2,123	18
Attendance	635,000	564,000	13

Results and dividends

The results for the year show a post-tax profit of £932,000 (2009 £775,000) which has been transferred to reserves The directors do not propose the payment of a dividend (2009 £nil)

Future developments

In the future, the directors expect the business to show continued growth in EBITDA

Principal risks and uncertainties

From the perspective of the company, the principal risks and uncertainties and the financial instruments management are integrated with the principal risks of Aspers Group Limited and subsidiaries ("the group") and are not managed separately The principal risks and uncertainties presented below are those group risks that are relevant to the company

(a) Competition risk – the group operates in a competitive market To mitigate this, the company invests heavily in marketing and offers a superior service to its members

(b) Volatility risk – all casinos experience periods of volatility in their hold percentage, due to runs of good or bad luck The group tries to manage this risk by building business volumes and thereby increasing the likelihood of a normalised hold percentage being achieved

(c) Employee risk – with the 2005 Act casinos coming on-stream in the next couple of years, full advantage of the opportunities afforded by the 2005 Act may be restricted unless there is a suitable supply of gaming staff available to an industry that is generally characterised by a shortage of good quality staff Aspers manages this risk by providing training schools that generate a good supply of staff to its casinos and engenders goodwill in the locality

(d) Regulatory risk – the group (and the industry) is subject to changes in government regulation For example, the group has been able to mitigate the adverse effects of the recently introduced smoking ban in the casino by incorporating a smoking terrace into the structure of the building

Aspers (Newcastle) Limited

Directors' Report for the year ended 30 June 2010 (Continued)

Going concern

The company's business activities, together with the factors likely to affect its future development and position, are set out above The company is expected to continue to generate positive cash flows on its own account for the foreseeable future

The company was one of four companies that were joint guarantors to bank facilities taken out by Aspers Finance Limited ("AFL") AFL was in breach of its banking covenants at 30 June 2010, but on 2 July 2010 refinanced its bank facilities As part of this refinancing, the entire share capital of the company was transferred to a new immediate parent undertaking, Aspers H Limited, which is 100% owned by the previous immediate parent undertaking, Aspers Group Limited

On 6 May 2011, the group sold Aspinall's Club Limited to a subsidiary of one of the ultimate parent company's shareholders, Crown Limited, the proceeds were used to repay the bank borrowings and to reduce the borrowings from one of the ultimate parent company's shareholders

As at 30 June 2010 and the date of approval of the financial statements, the company had net liabilities The financial statements have been prepared on a going concern basis as the parent undertaking has indicated its intention to provide sufficient financial support to the company to enable it to meet its liabilities as they fall due for a period of at least 12 months from the date of these financial statements

Having carefully considered the company's and group's current financial resources and cash flow forecasts, the directors are confident that they demonstrate that the company can meet its liabilities as they fall due

Further details of the directors' going concern assessment are set out in note 1 to the financial statements

Directors

The directors who served during the period and up to the date of signing the financial statements were

J D A Aspinall
M P B Kennedy
A W Herd (resigned 31 December 2010)

Charitable donations

During the period the company made charitable donations of £8,000 (2009 £9,270)

Employees

The company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status and offers appropriate training and career development for disabled staff If members of staff become disabled the company continues employment wherever possible and arranges retraining The company is also committed to providing employees with information on matters of concern to them on a regular basis, so that the views of employees can be taken into account when making decisions that are likely to affect their interests

Aspers (Newcastle) Limited

Directors' Report for the year ended 30 June 2010 (Continued)

Statement of directors' responsibilities

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) 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 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

Provision of information to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

Auditors

Ernst & Young LLP have indicated their willingness to continue in office as auditors and a resolution concerning their appointment will be proposed at the Annual General Meeting

By Order of the Board

M. Kennedy

M P Kennedy
Company Secretary

23 June 2011

Independent auditor's report to the members of Aspers (Newcastle) Limited

We have audited the financial statements of Aspers (Newcastle) Limited for the year ended 30 June 2010 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 19 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom General Accepted Accounting Practice)

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 auditors' report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor
As explained more fully in the Statement of directors' responsibilities set out on page 4, 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

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 and Financial Statements 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 30 June 2010 and of its profit 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

Independent auditor's report to the members of Aspers (Newcastle) Limited (continued)

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

Ernst + Young L L.P.

Cameron Cartmell (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory auditor
London
23 June 2011

Aspers (Newcastle) Limited

Profit and Loss Account for the year ended 30 June 2010

	Note	2010 £'000	2009 £'000
Turnover	*1(b) & 2*	**12,886**	11,751
Staff costs			
- Wages and salaries		**(3,327)**	(3,233)
- Social security costs		**(246)**	(253)
- Pension costs		**(27)**	(20)
		(3,600)	(3,506)
Depreciation and other amounts written off tangible fixed assets and intangible fixed assets		**(1,110)**	(1,001)
Gaming licence duties		**(2,086)**	(1,678)
Other operating charges		**(4,696)**	(4,444)
Operating profit	*4*	**1,394**	1,122
Gain on disposal of tangible fixed assets		**21**	-
Profit on ordinary activities before taxation		**1,415**	1,122
Tax on profit on ordinary activities	*6*	**(483)**	(347)
Profit on ordinary activities after taxation and for the financial year	*15*	**932**	775

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

All results relate to continuing operations

Aspers (Newcastle) Limited

Balance Sheet as at 30 June 2010

	Note	2010 £'000	2009 £'000
Fixed assets			
Intangible fixed assets	*7*	**168**	179
Tangible fixed assets	*10*	**12,821**	13,209
		12,989	13,388
Current assets			
Stocks	*9*	**55**	48
Debtors	*10*	**1,114**	1,103
Cash at bank and in hand		**855**	803
		2,024	1,954
Creditors: amounts falling due within one year	*11*	**(3,415)**	(3,334)
Net current liabilities		**(1,391)**	(1,380)
Total assets less current liabilities		**11,598**	12,008
Creditors amounts falling due after more than one year	*12*	**(15,593)**	(16,694)
Provisions for liabilities and charges	*13*	**(272)**	(513)
Net liabilities		**(4,267)**	(5,199)
Capital and reserves			
Called up share capital	*14*	**-**	-
Profit and loss account	*15*	**(4,267)**	(5,199)
Equity shareholders' deficit	*15*	**(4,267)**	(5,199)

The financial statements on pages 7 to 16 were approved by the Board on 23 June and signed on its behalf by

M. Kennedy

MP Kennedy - Director

Aspers (Newcastle) Limited

Notes to the Financial Statements for the year ended 30 June 2010

1 Accounting policies

The following are the principal accounting policies adopted by the company

a) Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable UK accounting standards and Companies Act 2006

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' report The financial position of the company and borrowing facilities are described in these financial statements

The group headed by Aspers Group Limited ("the group") was in breach of its banking covenants at 30 June 2009, but on 2 July 2010 another group company, Aspinalls Club Finance Limited, refinanced its bank facilities on behalf of the group

Under the refinancing agreement with the Royal Bank of Scotland ('RBS'), the amount of bank borrowings has been reduced to £24m through the provision of an additional £16m of facilities, including a £10m gaming reserve facility, by one of the ultimate parent company's shareholders However as a result of further poor trading in Aspinalls' Club Limited, on 17 November 2010, one of the ultimate parent company's shareholders provided an additional £5m of facilities to the group

On 6 May 2011, Aspinall's Club Limited was sold to a subsidiary of one of the ultimate parent company's shareholders, Crown Limited, the sale proceeds were used to repay the RBS borrowings in full and to reduce the borrowings from one of the ultimate parent company's shareholders

As at 30 June 2010 and the date of approval of the financial statements, the company had net liabilities The financial statements have been prepared on a going concern basis as the parent undertaking has indicated its intention to provide sufficient financial support to the company to enable it to meet its liabilities as they fall due for a period of at least 12 months from the date of these financial statements

In addition, the ultimate parent undertaking has indicated that it is not its intention to seek repayment of its loans to the group companies for a period of at least 12 months from the date of these financial statements

Having carefully considered the company's and group's current financial resources and cash flow forecasts, the directors are confident that they demonstrate that the company can meet its liabilities as they fall due On this basis the directors believe that it is appropriate to prepare the financial statements on a going concern basis

b) Turnover

Turnover represents gaming winnings (net of losses), session fees and catering receipts

1 Accounting policies (Continued)

c) Tangible fixed assets

Tangible fixed assets are included at cost, including specific capitalised borrowing costs Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset evenly over its expected useful economic life The rates applied are as follows

Leasehold improvements	25 years
Fixtures, fittings and equipment	4 to 10 years

The carrying values of tangible fixed assets are reviewed for impairment in accordance with FRS 11, when events or changes in circumstances indicate the carrying value may not be recoverable

Depreciation/amortisation is not charged until the respective assets are brought into use

d) Intangible fixed assets

Intangible fixed assets are included at cost Amortisation is provided on all intangible fixed assets, at rates calculated to write off the cost of each asset evenly over its expected useful life The rates applied are as follows

Licence costs	20 years

The carrying values of intangible fixed assets are reviewed for impairment in accordance with FRS 10, when events or changes in circumstances indicate the carrying value may not be recoverable

e) Stocks

Stocks, which are comprised of consumables, are valued at the lower of cost and estimated net realisable value

f) Pension contributions

Pension contributions payable by the company under its defined contribution schemes are charged to the profit and loss account in the period in which they fall due for payment

g) 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 an undiscounted basis

Aspers (Newcastle) Limited

Notes to the Financial Statements for the year ended 30 June 2010 (Continued)

1 Accounting policies (Continued)

h) **Leased assets**

Assets held under finance leases are included in fixed assets at cost, with an equivalent liability categorised as appropriate under creditors due within or after one year Assets are depreciated over their estimated useful economic life The lease rentals are treated as consisting of capital and interest elements The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital elements Payments are apportioned between finance charges and reduction of the liability

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the term of the lease Any lease incentives received are treated as deferred income and released to the profit and loss account on a straight-line basis to the period of the first rent review

2 Segmental information

In the opinion of the directors, turnover and profit are derived from, and the group's net assets are attributable to, gaming activities, which are carried out in the United Kingdom and include the operation of a licensed casino facility and related membership and catering services

3 Staff numbers

The average number of employees, including directors, during the year was 236 (2009 220)

4 Operating loss

	2010 £'000	2009 £'000
The operating loss is stated after charging		
Depreciation of tangible fixed assets – owned assets	947	842
Depreciation of tangible fixed assets – leased assets	152	145
Amortisation of intangible fixed assets	11	11
Auditor's remuneration		
- audit of the financial statements	20	19
- other fees to auditors taxation services		
Operating lease rentals		
- land and buildings	509	389

5 Directors' emoluments

The directors of the company are also directors of Aspers Group Limited ("Aspers Group") and other group companies The directors received total remuneration for the year of £614,000 (2009 £588,000) all of which was paid by other companies within the Aspers Group The directors do not believe that it is practicable to apportion this amount between their services as directors of the company and their services as directors of Aspers Group Limited and other group companies

Notes to the Financial Statements for the year ended 30 June 2010 (Continued)

6 Tax on profit on ordinary activities

	2010 £'000	2009 £'000
Current taxation		
UK corporation tax at 28% (2009 28%)		
- current year	669	-
- adjustment relating to prior years	55	-
Total current taxation	724	-
Deferred taxation		
- origination and reversal of timing differences	(179)	(127)
- adjustment relating to prior years	(62)	(33)
- losses utilised	-	507
Total deferred taxation	(241)	347
Total tax charge on profit on ordinary activities	483	347

The tax assessed on the profit on ordinary activities for the year differs from the standard rate of corporation tax in the UK of 28% (2009 28%) The differences are reconciled below

Tax reconciliation	2010 £'000	2009 £'000
Profit before taxation	1,415	1,122
Profit on ordinary activities before taxation multiplied by UK standard rate of Corporation Tax at 28% (2009 28%)	396	314
Expenses not allowed for taxation	78	66
Depreciation in excess of capital allowances	195	127
Losses (utilised)	-	(507)
Prior year adjustment	55	-
Total current taxation charge	724	-

Subsequent to 30 June 2010 but prior to the approval of the financial statements, the UK Government substantively enacted the reduction in the headline rate of corporation tax from 28% to 26%, in two stages on 21 July 2010 and on 29 March 2011 The rate will be reduced further by 1% each year, starting from 1 April 2012 until it reaches 23%, although these subsequent rate changes have not yet been substantively enacted This rate change will affect the amount of future cash tax payments to be made by the Group and will also reduce the size of the Group's balance sheet deferred tax liability in the future However, it is too early to quantify the impact these reductions may have on carried forward deferred tax balances

The UK Government also announced on 22 June 2010 that the rate of capital allowances applicable to plant and machinery expenditure will be reduced from 20% to 18% per annum on a reducing balance basis for accounting periods ending after April 2012 The rate of allowances applicable to special rate pool assets also reduces from 10% to 8% from the same period If enacted, these changes to the capital allowances rates will impact the rate at which tax relief is received on capital expenditure

Aspers (Newcastle) Limited

Notes to the Financial Statements for the year ended 30 June 2010 (Continued)

7 Intangible fixed assets

	Licence costs £'000
Cost	
At 1 July 2009 and 30 June 2010	220
Amortisation	
At 1 July 2009	41
Charge for the year	11
At 30 June 2010	**52**
Net book value	
At 30 June 2010	**168**
At 30 June 2009	179

8 Tangible fixed assets

	Short leasehold improvements £'000	Fixtures, fittings & equipment £'000	Total £'000
Cost			
At 1 July 2009	13,503	2,923	16,426
Additions	520	228	748
Disposals	-	(80)	(80)
At 30 June 2010	**14 023**	**3,071**	**17,094**
Accumulated depreciation			
At 1 July 2009	1,787	1,430	3,217
Charge for the year	612	487	1,099
Disposals	-	(43)	(43)
At 30 June 2010	**2,399**	**1,874**	**4,273**
Net book value			
At 30 June 2010	**11,624**	**1,197**	**12,821**
At 30 June 2009	11,716	1,493	13,209

Included in the above fixed assets is equipment held under finance leases with a net book value of £204,000 (2009 £356,000) and capitalised interest of £123,270 (2009 £123,270) within the cost of leasehold improvements

Aspers (Newcastle) Limited

Notes to the Financial Statements for the year ended 30 June 2010 (Continued)

9 Stocks

	2010 £'000	2009 £'000
Consumables	55	48

10 Debtors

	2010 £'000	2009 £'000
Prepayments and accrued income	387	713
Other debtors	83	135
Amounts due from group undertakings	644	255
	1,114	1,103

11 Creditors: amounts falling due within one year

	2010 £'000	2009 £'000
Obligations under finance leases	-	23
Trade creditors	460	864
Other creditors	277	316
Other taxation & social security	151	140
Group relief payable	669	-
Amounts due to group undertakings	616	211
Gaming licence duty	489	497
Accruals and deferred income	753	1,283
	3,415	3,334

12 Creditors: amounts falling due after more than one year

	2010 £'000	2009 £'000
Amounts due to group undertakings	14,687	16,694
Other creditors	906	-
	15,593	16,694

The amounts due to group undertakings are unsecured and have no fixed repayment date No interest has been charged in the year (2009 - £Nil) The ultimate parent undertaking has confirmed that repayment of the amounts due will not be requested for a period of at least 12 months from the date of these financial statements

Aspers (Newcastle) Limited

Notes to the Financial Statements for the year ended 30 June 2010 (Continued)

13 Provisions for liabilities and charges

Deferred taxation	2010 £'000	2009 £'000
At 1 July	513	166
Profit and loss account	(241)	347
At 30 June	272	513

Represented by

	2010 £'000	2009 £'000
Accelerated capital allowances	272	513

14 Share capital

	2010 £'000	2009 £'000
Authorised equity share capital 1,000 £1 ordinary shares	1	1
Allotted, called up and fully paid equity share capital 1 £1 ordinary share	-	-

15 Reconciliation of shareholders' deficit and movements in reserves

	Share capital £'000	Profit and loss account £'000	Total £'000
At 1 July 2008	-	(5,974)	(5,974)
Profit for the year	-	775	775
At 30 June 2009	-	(5,199)	(5,199)
Profit for the year	-	932	932
At 30 June 2010	-	(4,267)	(4,267)

16 Capital and financial commitments

The company's assets are under a fixed and floating charge and the company is part of a cross-bank guarantee, in respect of the bank borrowings of a fellow subsidiary undertaking, Aspers Finance Limited, totalling £20 5m (2009 - £20 5m)

At the year end the company had annual commitments under non-cancellable operating leases expiring as follows

	2010	2009
	£'000	£'000
On leases expiring in more than 5 years		
- Land & Buildings	**509**	509

17 Cash flow statement

The company has taken advantage of the provisions in FRS 1, which exempt subsidiary undertakings, 90% or more of whose voting rights are controlled within the group, from preparing a cash flow statement The company's parent company, Aspers Group Limited, has included the required consolidated cash flow statement within its consolidated financial statements

18 Related party transactions

The company has taken advantage of the provisions in FRS 8, which exempt subsidiary undertakings, 100% of whose voting rights are controlled within the group, from disclosing transactions with other entities within the group

During the year the company entered into transactions, in the ordinary course of business, with Aspers (Northampton) Limited, a fellow group company that is 50 0001% owned by the group The company sold goods and services for £233,000 (2009 £121,000) during the year to Aspers (Northampton) Limited, and at year end was owed £323,000 (2009 £90,000) by Aspers (Northampton) Limited There were no other related party transactions

19 Immediate and ultimate parent undertaking

At 30 June 2010, the immediate parent undertaking of the company was Aspers Group Limited, a company registered in England and Wales, and the ultimate parent undertaking was Aspers Holdings (Jersey) Limited ("AHJL"), a company registered in Jersey The shareholding of AHJL is such that there is no controlling party of AHJL

On 2 July 2010, as a result of a group reorganisation, the immediate parent undertaking of the company became Aspers H Limited, a company registered in England and Wales There was no change to the ultimate parent undertaking

The largest and smallest group preparing consolidated financial statements which include the company is Aspers Group Limited for the year ended 30 June 2010 Copies of the financial statements of Aspers Group Limited can be obtained from the registered office of that company at 64 Sloane Street, London, SW1X 9SH