

SUN VALLEY HOLDINGS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 OCTOBER 1992

(REGISTERED NUMBER : 1173324)



SUN VALLEY HOLDINGS LIMITED

DIRECTORS' REPORT

The directors present their annual report together with the financial statements of the group for the year ended 31 October 1992.

BUSINESS REVIEW

The group's activities continued to expand and the principal activities of the group continue to be the operation of bingo and social clubs and amusement centres.

RESULTS AND DIVIDENDS

The results for the year are set out on page 4. An interim dividend of £75,000 has been paid during the year. The directors do not recommend the payment of a final dividend.

FIXED ASSETS

Movements in tangible fixed assets are set out in note 9 to the financial statements. The directors are of the opinion that the market value of the group properties is in excess of the cost.

DIRECTORS AND THEIR INTERESTS

The directors of the company during the year and their interests in the ordinary share capital of the company were:

	<u>1992</u> 1p Ordinary shares	<u>1991</u> £1 Ordinary shares
A Nichols	-	-
M Noble (Chairman)	81,700	817
P Noble	81,700	817
RJ Whitelaw (appointed 22 October 1992)	-	-
DH Biesterfield (appointed 22 October 1992)	-	-

EMPLOYEES

The group's policy includes, where practicable, the continued employment of those who may become disabled during their employment. Equal training facilities are provided for disabled and other employees to improve performance, to learn new skills and to qualify for promotion.

The group understands the benefits that are gained from keeping employees informed of events and accordingly communicates with them on a regular basis.

SUN VALLEY HOLDINGS LIMITED

DIRECTORS' REPORT (Continued)

AUDITORS

Price Waterhouse have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By Order of the Board

A handwritten signature in dark ink, appearing to be 'RJ Whitelaw', followed by a long horizontal line extending to the right.

RJ Whitelaw
Secretary

15 January 1993

Price Waterhouse



AUDITORS' REPORT TO THE MEMBERS OF SUN VALLEY HOLDINGS LIMITED

We have audited the financial statements on pages 4 to 18 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 31 October 1992 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PRICE WATERHOUSE
Chartered Accountants
and Registered Auditor

15 January 1993

SUN VALLEY HOLDINGS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 OCTOBER 1992

	<u>1992</u>	<u>1991</u>
TURNOVER (Note 1 (g))	15,876,774	16,111,897
Cost of sales	(13,375,679)	(13,127,451)
	<hr/>	<hr/>
GROSS PROFIT	2,501,095	2,984,446
Administrative expenses	(1,489,805)	(1,421,565)
Other operating income (Note 5)	86,986	66,700
	<hr/>	<hr/>
OPERATING PROFIT	1,098,276	1,629,581
Interest payable (Note 6)	(893,292)	(466,883)
Exceptional item (Note 7)	-	2,057,445
	<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (Note 3)	204,984	3,220,143
TAXATION (Note 8)	(461,126)	(777,969)
	<hr/>	<hr/>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	(256,142)	2,442,174
DIVIDEND	(75,000)	-
	<hr/>	<hr/>
AMOUNT TRANSFERRED (FROM)/TO RESERVES (Note 17)	£(331,142)	£2,442,174
	<hr/>	<hr/>

SUN VALLEY HOLDINGS LIMITED

CONSOLIDATED BALANCE SHEET - 31 OCTOBER 1992

	<u>1992</u>	<u>1991</u>
FIXED ASSETS		
Tangible assets (Note 9 (a))	3,516,648	3,898,097
Intangible assets (Note 10)	6,446,452	6,836,316
	<u>9,963,100</u>	<u>10,734,413</u>
CURRENT ASSETS		
Stocks (Note 1 (d))	120,573	117,506
Debtors (Note 12)	1,744,307	1,649,908
Cash at bank and in hand	643,075	580,973
	<u>2,507,955</u>	<u>2,348,387</u>
CREDITORS (Amounts falling due within one year) (Note 13)	(7,268,733)	(7,049,336)
NET CURRENT LIABILITIES	<u>(4,760,778)</u>	<u>(4,700,949)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	5,202,322	6,033,464
CREDITORS (Amounts falling due after more than one year) (Note 14)	(1,125,000)	(1,625,000)
	<u>£4,077,322</u>	<u>£4,408,464</u>
CAPITAL AND RESERVES		
Called up share capital (Note 16)	1,778	1,778
Reserves (Note 17)	4,075,544	4,406,686
	<u>£4,077,322</u>	<u>£4,408,464</u>

SUN VALLEY HOLDINGS LIMITED

COMPANY BALANCE SHEET - 31 OCTOBER 1992

	<u>1992</u>	<u>1991</u>
FIXED ASSETS		
Tangible assets (Note 9(b))	2,015,326	2,417,626
Investments (Note 11)	3,480	3,480
	<u>2,018,806</u>	<u>2,421,106</u>
CURRENT ASSETS		
Debtors (Note 12)	7,059,083	8,176,049
CREDITORS (Amounts falling due within one year) (Note 13)	(5,685,593)	(6,252,758)
	<u>1,373,490</u>	<u>1,923,291</u>
NET CURRENT ASSETS		
TOTAL ASSETS LESS CURRENT LIABILITIES	3,392,296	4,344,397
CREDITORS (Amounts falling due after more than one year) (Note 14)	(1,125,000)	(1,625,000)
	<u>£2,267,296</u>	<u>£2,719,397</u>
CAPITAL AND RESERVES		
Called up share capital (Note 16)	1,778	1,778
Reserves (Note 17)	2,265,518	2,717,619
	<u>£2,267,296</u>	<u>£2,719,397</u>

The financial statements on pages 4 to 18 were approved by the Board of Directors on 15 January 1993 and are signed by:

M Noble) Directors
P Noble)

W. M. M. M.

P. Noble

SUN VALLEY HOLDINGS LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 OCTOBER 1992

	<u>1992</u>	<u>1991</u>
Net cash inflow from operating activities (Note 20a)	3,262,414	86,603
Returns on investments and servicing of finance		
Interest paid	(746,692)	(466,883)
Dividends paid	(75,000)	-
	<u> </u>	<u> </u>
Net cash outflow from returns on investment & servicing of finance	(821,692)	(466,883)
Taxation		
Corporation tax paid	<u>(884,302)</u>	<u>(101,549)</u>
Tax paid	(884,302)	(101,549)
Investing activities		
Acquisition of subsidiary	-	(678)
Purchase of intangible fixed assets	(162,977)	-
Purchase of tangible fixed assets	(458,120)	(5,438,736)
Shares issued	-	678
Sale of tangible fixed assets	<u>89,825</u>	<u>5,717,424</u>
Net cash outflow from investing activities	(531,272)	278,688
Net cash inflow/(outflow) before financing	1,025,148	(203,141)
Financing		
Repayment of long term loans	(500,000)	(861,533)
Long term loans received	-	2,125,000
	<u> </u>	<u> </u>
Net cash (outflow)/inflow from financing	(500,000)	1,263,467
Increase in cash and cash equivalents (Note 20c)	<u>£525,148</u>	<u>£1,060,326</u>

SUN VALLEY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 OCTOBER 1992

1 ACCOUNTING POLICIES

(a) Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of freehold and long leasehold properties, and in accordance with applicable accounting standards.

(b) Basis of consolidation

The consolidation accounts include the audited accounts of the company and its subsidiaries. The profit for the year represents the results of the group for the year ended 31 October. The accounts of all the companies within the group have been made up to 31 October.

(c) Tangible fixed assets

No depreciation is charged on the group's freehold property because the directors consider that the economic life of the property and its residual value are such that depreciation is not significant.

Depreciation is calculated to write off the cost of other assets by equal annual instalments over their estimated useful lives, which are considered to be:

Amusement machines	3 years
Fixtures, fittings and equipment	5 years
Motor vehicles	4 years
Short leasehold	Unexpired term of the lease

(d) Stocks

Stocks are stated at the lower of cost and net realisable value. Stock represents goods held for resale.

(e) Deferred taxation

The group makes provision on the liability basis only if the deferred taxation on accelerated capital allowances and other timing differences is likely to crystallise in the foreseeable future.

(f) Goodwill

Goodwill which represents the excess of cost over the value attributed to net assets acquired is appraised for each individual acquisition and is either written off immediately on acquisition against reserves or amortised through the profit and loss account by equal instalments over its useful economic life which is estimated to be between 10 and 20 years. Any amount which is not considered justified by the directors is written off immediately.

SUN VALLEY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 OCTOBER 1992 (continued)

1 ACCOUNTING POLICIES (Continued)

(g) Turnover

Turnover represents receipts taken by amusement centres and bingo halls exclusive of value added tax and bingo duty.

(h) Operating leases

Operating lease payments are charged to the profit and loss account as they fall due.

2 SEGMENT INFORMATION

The directors are of the opinion that the disclosure of segmented information concerning turnover and profit would be seriously prejudicial to the group's interests.

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before taxation is after charging/(crediting):

	<u>1992</u>	<u>1991</u>
Depreciation (Note 9(a))	769,235	972,379
Goodwill amortisation (Note 10)	388,005	375,354
Auditors' remuneration	24,000	24,000
Hire of machines and equipment	980,225	660,705
Other operating lease rentals	520,407	667,925
Management charges	600,000	500,000
Profit on disposal of fixed assets	(19,491)	-
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Auditors' remuneration shown above includes £5,500 (1991 - £5,000) in respect of the company. Non-audit services supplied by the company's auditors in the year amounted to £117,500.

4 STAFF COSTS

	<u>1992</u>	<u>1991</u>
(a) Staff costs comprise:		
Wages and salaries	2,903,069	2,913,593
Social security costs	244,603	242,692
	<hr/>	<hr/>
	£3,147,672	£3,156,285
	<hr/>	<hr/>
(b) Average number of persons employed	438	474
	<hr/>	<hr/>

SUN VALLEY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 OCTOBER 1992 (continued)

4 STAFF COSTS (continued)

	<u>1992</u>	<u>1991</u>
(c) Directors' emoluments including contribution to directors' pension fund	£40,558	£5,200

The emoluments of the directors' (excluding pension fund contributions) were:

Chairman	£17,500	£-
Highest paid director	£17,500	£5,200
Other directors:		
£0 - £5,000	2	1
£5,001 - £10,000	1	-

5 OTHER OPERATING INCOME

Property rental and service charges	<u>£86,986</u>	<u>£66,700</u>
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6 INTEREST PAYABLE

	<u>1992</u>	<u>1991</u>
On bank overdrafts and loans repayable within 5 years	<u>£893,292</u>	<u>£466,883</u>

7 EXCEPTIONAL ITEM

Profit on disposal of properties and associated assets	£-	£2,057,445
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8 TAXATION

(a) The taxation charge comprises:

Corporation tax at 33.0% (1991 - 33.4%)	- current year	474,819	792,000
	- prior year	<u>(13,693)</u>	<u>(14,031)</u>
		<u>£461,126</u>	<u>£777,969</u>

SUN VALLEY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 OCTOBER 1992 (continued)

8 TAXATION (continued)

(b) Deferred taxation

The full potential liability for deferred taxation at 33% (1991 - 33%) which is not provided in the accounts comprises:

	<u>Group</u>		<u>Company</u>	
	<u>1992</u>	<u>1991</u>	<u>1992</u>	<u>1991</u>
Accelerated capital allowances	(46,000)	81,000	(64,000)	51,000
Taxation on capital gains deferred by rollover	713,000	520,000	713,000	520,000
Taxation on property revaluation surplus	170,000	180,000	170,000	180,000
Short term timing differences	<u>(56,000)</u>	<u>-</u>	<u>(56,000)</u>	<u>-</u>
	<u>£781,000</u>	<u>£781,000</u>	<u>£763,000</u>	<u>£751,000</u>

9a TANGIBLE FIXED ASSETS

Group

	<u>Freehold Property</u>	<u>Short Leasehold</u>	<u>Fixtures fittings and Equipment</u>	<u>Total</u>
<u>Cost or valuation</u>				
At 1 November 1991	1,444,409	1,871,234	2,914,440	6,230,083
Additions	-	106,654	351,466	458,120
Disposals	-	(18,874)	(126,649)	(145,523)
	<u>1,444,409</u>	<u>1,959,014</u>	<u>3,139,257</u>	<u>6,542,680</u>
<u>Depreciation</u>				
At 1 November 1991	-	537,906	1,794,080	2,331,986
Charge for period	-	282,532	486,703	769,235
Disposals	-	(17,749)	(57,440)	(75,189)
	<u>-</u>	<u>802,689</u>	<u>2,223,343</u>	<u>3,026,032</u>
<u>Net book value</u>				
At 31 October 1992	<u>£1,444,409</u>	<u>£1,156,325</u>	<u>£915,914</u>	<u>£3,516,648</u>
At 31 October 1991	<u>£1,444,409</u>	<u>£1,333,328</u>	<u>£1,120,360</u>	<u>£3,898,097</u>

SUN VALLEY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 OCTOBER 1992 (continued)

9b TANGIBLE FIXED ASSETS

<u>Company</u>	<u>Freehold</u>	<u>Short</u>	<u>Fixtures</u>	
<u>Cost or valuation</u>	<u>Property</u>	<u>Leasehold</u>	<u>fittings &</u>	<u>Total</u>
			<u>Equipment</u>	
At 1 November 1991	1,160,725	1,161,522	1,320,919	3,643,166
Disposals	-	-	(60,430)	(60,430)
	_____	_____	_____	_____
At 31 October 1992	1,160,725	1,161,522	1,260,489	3,582,736
	_____	_____	_____	_____
<u>Depreciation</u>				
At 1 November 1991	-	173,646	1,051,894	1,225,540
Charge for year	-	164,646	203,099	367,745
Disposals	-	-	(25,875)	(25 875)
	_____	_____	_____	_____
At 31 October 1992	-	338,292	1,229,118	1,567,410
	_____	_____	_____	_____
<u>Net book value</u>				
At 31 October 1992	£1,160,725	£823,230	£31,371	£2,015,326
	_____	_____	_____	_____
At 31 October 1991	£1,160,725	£987,876	£269,025	£2,417,626
	_____	_____	_____	_____

SUN VALLEY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 OCTOBER 1992 (continued)

10 INTANGIBLE FIXED ASSETS

GOODWILL

<u>Group</u>	<u>1992</u>
<u>Cost</u>	
At 1 November 1991	7,243,556
Additions	162,977
Disposals	(183,151)

At 31 October 1992	7,223,382

<u>Amortisation</u>	
At 1 November 1991	407,240
Charge for the year	388,005
Disposals	(18,315)

At 31 October 1992	776,430

<u>Net book value</u>	
At 31 October 1992	£6,446,452

At 31 October 1991	£6,836,316

SUN VALLEY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 OCTOBER 1992 (continued)

11 INVESTMENTS

At the balance sheet date the company held the following shares in subsidiary undertakings at cost.

Unlisted shares at cost

At 1 November 1991 and 31 October 1992

£3,480

The company's principal subsidiary undertakings, which are all wholly owned, registered and operating in England, are as follows:

<u>Subsidiary Undertakings</u>	<u>Nature of Business</u>
Sun Valley Leisure Limited	Operation of amusement centres
Sun Valley Social Clubs Limited	Operation of cash bingo halls and social clubs
Luxury Leisure Limited	Operation of amusement centres

12 DEBTORS

	<u>Group</u>		<u>Company</u>	
	<u>1992</u>	<u>1991</u>	<u>1992</u>	<u>1991</u>
Amounts owed by group undertakings	-	-	6,479,866	7,512,884
Others debtors	944,992	781,781	554,217	555,292
Prepayments	774,315	868,127	-	107,873
ACT recoverable	25,000	-	25,000	-
	<u>£1,744,307</u>	<u>£1,649,908</u>	<u>£7,059,083</u>	<u>£8,176,049</u>

SUN VALLEY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 OCTOBER 1992 (continued)

13 CREDITORS (Amounts falling due within one year)

	<u>Group</u>		<u>Company</u>	
	<u>1992</u>	<u>1991</u>	<u>1992</u>	<u>1991</u>
Bank overdrafts	1,131,879	1,594,925	718,652	2,166,089
Trade creditors	371,081	226,030	-	-
Amounts owed to group undertakings	-	-	983,605	-
Other creditors	3,714,233	3,489,589	3,429,028	3,296,903
Tax and social security costs	1,595,230	1,356,172	518,208	685,317
Accruals	456,310	382,620	36,100	104,449
	<u>£7,268,733</u>	<u>£7,049,336</u>	<u>£5,685,593</u>	<u>£6,252,758</u>

14 CREDITORS (Amounts falling due after more than one year)

	<u>Group</u>		<u>Company</u>	
	<u>1992</u>	<u>1991</u>	<u>1992</u>	<u>1991</u>
Bank loan	£1,125,000	£1,625,000	£1,125,000	£1,625,000

The loan is repayable in equal monthly instalments of £41,667, bears interest at 1% over the Barclays Bank PLC base rate.

15 CONTINGENT LIABILITIES

The company has entered into a composite accounting arrangement for interest set-off purposes with the following group companies: Sun Valley Leisure Limited, Sun Valley Social Clubs Limited and Luxury Leisure Limited. At 31 October 1992 the aggregate bank overdraft balance of the above companies was £25,581.

SUN VALLEY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 OCTOBER 1992 (continued)

16 CALLED UP SHARE CAPITAL

	<u>1992</u>	<u>1991</u>
<u>Authorised</u>		
Ordinary shares of 1p each	£100,000	£100,000
	<hr/>	<hr/>
<u>Allotted and fully paid</u>		
Ordinary shares of 1p each	£1,778	£1,778
	<hr/>	<hr/>

During the year the nominal value of the ordinary shares was changed from £1 to 1p.

17 RESERVES

<u>Group</u>	<u>Revaluation reserve</u>	<u>Other reserve</u>	<u>Profit & loss</u>	<u>Total reserves</u>
At 1 November 1991	823,228	754,283	2,829,175	4,406,686
Retained loss for the year	-	-	(331,142)	(331,142)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 October 1992	£823,228	£754,283	£2,498,033	£4,075,544
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Company</u>				
At 1 November 1991	823,228	-	1,894,391	2,717,619
Retained loss for the year	-	-	(452,101)	(452,101)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 October 1992	£823,228	-	£1,442,290	£2,265,518
	<hr/>	<hr/>	<hr/>	<hr/>

SUN VALLEY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 OCTOBER 1992 (Continued)

17 RESERVES (Continued)

As permitted by Section 230(1) of the Companies Act 1985, the parent company has not presented its own profit and loss account. The amount of loss after tax dealt with in the accounts of the parent company is £452,101 (1991 - profit - £1,609,707).

The other reserve arising on the acquisition of subsidiary undertakings represents the difference between the value of the shares issued at par as consideration and the net assets of the subsidiary undertakings acquired. The provisions of S131 of the Companies Act 1985 which allow merger relief for the share premium which would arise normally on the issue of the company's shares apply in the circumstances surrounding these acquisitions.

18 OPERATING LEASE COMMITMENTS

The annual lease commitments for land and buildings for which provision has not been made in the financial statements are:

Expiring:	<u>Group</u>	
	<u>1992</u>	<u>1991</u>
Within one year	14,247	14,247
Between one and five years	10,001	10,001
More than five years	880,733	690,787
	<hr/>	<hr/>

The company has no such commitments.

19 DIRECTORS' INTERESTS

Mr M Noble and Mr P Noble, directors of the company during the year, are directors, shareholders or partners with other trading entities with which the group has traded during the year. The names of these entities are set out below, together with the amounts charged by and to the company and its subsidiaries for sales and purchases of goods and services in the ordinary course of business and the year end trading balances with the entities.

	<u>Purchases by the company and its subsidiaries</u>		<u>Amount owing to/(by) the company and its subsidiaries at 31/10/92</u>	
	<u>1992</u>	<u>1991</u>	<u>1992</u>	<u>1991</u>
Mechanised Project Management Limited	1,968,908	1,387,374	(3,434,410)	(3,373,491)
Barry Noble (Coin) Machines Limited	-	-	376,788	376,788
	<hr/>	<hr/>	<hr/>	<hr/>
	£1,968,908	£1,387,374	£(3,227,515)	£(2,996,703)

In addition to the above transactions, interest of £586,550 was charged in the profit and loss account of the Group and Company in respect of amounts due to Mechanised Project Management Limited.

SUN VALLEY HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 31 OCTOBER 1992 (Continued)

20 NOTES TO THE CASH FLOW STATEMENT

a Reconciliation of operating profit to net cash inflow from operating activities

	<u>1992</u>	<u>1991</u>
Operating profit	1,098,276	1,629,581
Amortisation & Depreciation charges	1,157,240	1,347,733
Profit on disposal of fixed assets	(19,491)	-
Loss on disposal of goodwill	164,386	-
(Increase) in stock	(3,067)	(53,920)
(Increase)/Decrease in debtors	(94,399)	697,204
Decrease/(Increase) in creditors	959,469	(3,533,995)
	<hr/>	<hr/>
	£3,262,414	£86,603
	<hr/>	<hr/>

b Analysis of changes in cash and cash equivalents during the year

	<u>1992</u>
Balance at 1 November 1991	(1,013,952)
Net cash inflow	525,148
	<hr/>
Balance at 31 October 1992	£(488,804)
	<hr/>

c Analysis of the balances of cash and cash equivalents as shown in the balance sheet

	<u>1992</u>	<u>1991</u>	<u>Change</u>
Cash at bank & in hand	643,075	580,973	62,102
Bank overdraft	(1,131,879)	(1,594,925)	463,046
	<hr/>	<hr/>	<hr/>
	£(488,804)	£(1,013,952)	£525,148
	<hr/>	<hr/>	<hr/>