

Matchurban

Annual report and financial statements  
for the year ended 31 October 2010

Registered number: 2540202



# Matchurban

## Annual report and financial statements for the year ended 31 October 2010

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# Matchurban

## Directors' report for the year ended 31 October 2010

The directors present their annual report together with the audited financial statements of the company for the year ended 31 October 2010

### Principal activities

The principal activity of the company is the provision of leisure services and entertainment facilities

### Business review and future developments

The position of the company is satisfactory. The directors are in a suitable position to take advantage of any possible business opportunities and look forward with confidence to the future.

### Results and dividends

The results of the year are set out on page 6. The directors do not recommend payment of a dividend (2009 £nil).

### Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks and uncertainties.

A discussion of these risks and uncertainties on a group basis, in the context of the Red Poppy (UK) Limited (formerly Starflex Systems Limited) group ("the group"), of which the company is a member, is provided in the directors' report of the consolidated financial statements of Red Poppy (UK) Limited.

### Key performance indicators ("KPIs")

Given the straightforward nature of the business, the directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

### Financial risk management

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 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.

#### *Credit risk*

Credit risk arises from cash and deposits with banks and financial institutions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

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## **Employment policy**

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

## **Directors**

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

I Imrie

DH Biesterfeld

DJ Horrocks

## **Qualifying third party indemnity provisions**

Following shareholder approval, the company has put in place an indemnity for its directors and officers, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006. This was in force during the financial year and also at the date of signing the financial statements

## **Statement of directors' responsibilities**

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- 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

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### Disclosure of information to auditors

Each director, as at the date of this report, has confirmed that in so far as they are aware there is no relevant audit information (that is, information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware, and they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

By order of the board



**P. N. Blain**

**Company secretary**

28 July 2011

# **Matchurban**

## **Independent auditors' report to the members of Matchurban**

We have audited the financial statements of Matchurban for the year ended 31 October 2010 which comprise the profit and loss account, the balance sheet, the statement of accounting policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### **Respective responsibilities of directors and auditors**

As explained more fully in the statement of directors' responsibilities set out on page 2 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 the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

### **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 31 October 2010 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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### **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



Mark Webster (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Newcastle upon Tyne  
28 July 2011

## Matchurban

### Profit and loss account for the year ended 31 October 2010

		2010	2009
	Note	£'000	£'000
<b>Turnover</b>	1	<b>6,438</b>	7,023
Cost of sales		(4,075)	(4,271)
Gross profit		<b>2,363</b>	2,752
Administrative expenses		(2,779)	(3,046)
Exceptional item			
Intergroup balance forgiveness	3	(1,252)	-
		<b>(4,031)</b>	(3,046)
Other operating income	2	<b>21</b>	77
<b>Loss on ordinary activities before taxation</b>	2	<b>(1,647)</b>	(217)
Tax on loss on ordinary activities	5	<b>25</b>	24
<b>Loss for the financial year</b>	13	<b>(1,622)</b>	(193)

All amounts relate to continuing operations

The company has no recognised gains or losses other than those included in the results above, and therefore no statement of total recognised gains and losses has been prepared

There is no difference between the loss on ordinary activities before taxation and the loss for the financial year stated above and their historical cost equivalents



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## Balance sheet as at 31 October 2010

			2010	2009
	Note	£'000	£'000	£'000
<b>Fixed assets</b>				
Intangible assets	6		276	307
Tangible assets	7		1,206	1,382
			1,482	1,689
<b>Current assets</b>				
Stocks	8	124		127
Debtors	9	1,053		2,142
Cash at bank and in hand		613		758
		1,790		3,027
<b>Creditors: amounts falling due within one year</b>	10	(2,356)		(2,144)
<b>Net current (liabilities)/assets</b>			(566)	883
<b>Total assets less current liabilities</b>			916	2,572
<b>Provisions for liabilities</b>	11		(32)	(66)
<b>Net assets</b>			884	2,506
<b>Capital and reserves</b>				
Called up share capital	12		-	-
Profit and loss account	13		884	2,506
<b>Total shareholders' funds</b>	14		884	2,506

The financial statements on pages 6 to 17 were approved by the board of directors on 28 July 2011 and are signed on its behalf by

  
 DH Biesterfeld  
 Director

Matchurban  
 Registered number: 2540202

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## Statement of accounting policies

### **Basis of accounting**

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

### **Turnover**

Turnover represents the receipts from the provision of leisure services and entertainment facilities, exclusive of value added tax, within the United Kingdom. Turnover is recognised at the point of receipt, as the company is a cash business. Advance cash receipts are included as deferred income and recognised over the period of usage of leisure facilities.

### **Other operating income**

Other operating income represents the management charge receivable from a fellow group undertaking, recognised in the accounting period to which it relates.

### **Operating leases**

Operating lease payments are charged to the profit and loss account on a straight line basis over the term of the lease.

### **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 regarded 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 from which the future reversal of the underlying timing differences can be deducted.

Deferred taxation is measured on a non-discounted basis at the tax rates that are expected to apply in the year in which timing differences reverse, based on taxation rates and laws substantively enacted at the balance sheet date.

### **Intangible assets**

Goodwill is treated as an intangible asset and the cost written off over the estimated useful life, not exceeding 20 years, in equal instalments.

Goodwill represents the excess of the fair value of the consideration given the fair value of the identifiable net assets acquired.

The company evaluates the carrying value of goodwill in each financial year to determine if there has been impairment in value, which would result in the inability to recover the carrying amount. When it is determined that the carrying value exceeds the recoverable amount, the excess is written off to the profit and loss account.

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## **Tangible fixed assets and depreciation**

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

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

- Long leasehold properties - term of lease
- Short leasehold properties - term of lease
- Fixtures and fittings - 10 years

## **Stocks**

Stocks are stated at the lower of cost and net realisable value. Cost is determined using the first-in first-out (FIFO) method. Where necessary, provision is made for slow moving, obsolete and defective stocks.

## **Cash flow statement**

The company is exempt from the requirement of Financial Reporting Standard No. 1 (revised 1996) "Cash flow statements" to prepare a cash flow statement as it is a wholly owned subsidiary of Red Poppy (UK) Limited and its cash flows are included within the consolidated financial statements of that company, which are publicly available.

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## Notes to the financial statements for the year ended 31 October 2010

### 1 Turnover

The directors of the company consider that the company has one geographical and business segment and therefore is not required to produce additional segmental disclosure. All the activities of the company fall into the principal activity as stated within the directors' report and the activities arise wholly in the United Kingdom.

### 2 Loss on ordinary activities before taxation

The loss on ordinary activities before taxation is arrived at after charging/(crediting)

	2010	2009
	£'000	£'000
Depreciation	295	294
Amortisation	31	33
Other operating income	(21)	(77)
Management charges	216	249
Machine hire charges	683	739
Property rental charges	1,070	1,160
Other operating lease rentals	279	170

The audit fee in the current and prior year has been borne by the parent company.

### 3 Exceptional item

The exceptional item of £1,252,000 in the year arose on the forgiveness by members of the Red Poppy (UK) Limited group of balances owed to them by other group companies.

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## 4 Staff costs

Staff costs comprise

	2010	2009
	£'000	£'000
Wages and salaries	4,807	4,346
Social security costs	379	375
	<b>5,186</b>	<b>4,721</b>

The average monthly number of employees employed by the company in the provision of leisure services and entertainment facilities during the year was 276 (2009 234), excluding directors

None of the directors received any emoluments for their services to the company (2009 £nil)

## 5 Tax on loss on ordinary activities

### (a) Analysis of tax credit in the year

	2010	2009
	£'000	£'000
<b>Current tax</b>		
UK corporation tax on losses for the year	-	4
Adjustments in respect of prior years	9	-
<b>Total current tax</b>	<b>9</b>	<b>4</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(32)	(28)
Changes in tax rates	(2)	-
<b>Total deferred tax (note 11)</b>	<b>(34)</b>	<b>(28)</b>
<b>Tax on loss on ordinary activities</b>	<b>(25)</b>	<b>(24)</b>

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## 5 Tax on loss on ordinary activities (continued)

### (b) Factors affecting the tax charge for the year

The tax assessed for the year is higher (2009 higher) than the standard rate of corporation tax in the UK of 28% (2009 28%). The differences are explained below

	2010	2009
	£'000	£'000
<b>Loss on ordinary activities before taxation</b>	<b>(1,647)</b>	<b>(217)</b>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 28%)	<b>(461)</b>	<b>(61)</b>
Effects of		
Expenses not deductible for tax purposes	<b>391</b>	<b>48</b>
Accelerated capital allowances	<b>30</b>	<b>17</b>
Group relief surrendered not paid	<b>40</b>	<b>-</b>
Adjustments in respect of prior years	<b>9</b>	<b>-</b>
<b>Current tax charge for the year</b>	<b>9</b>	<b>4</b>

### (c) Factors that may affect future tax charges

In addition to the change in rate of corporation tax included within the Finance Act 2010 which stated that, with effect from 1 April 2011, the main rate of corporation tax would reduce to 27%, a number of further changes to the UK Corporation tax system were announced in the March 2011 UK Budget Statement. A resolution passed by Parliament on 29 March 2011 reduced the main rate of corporation tax to 26% from 1 April 2011. Legislation to reduce the main rate of corporation tax from 26% to 25% from 1 April 2012 was announced in the Finance Act 2011 and substantively enacted on 5 July 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23% by 1 April 2014. None of these expected rate reductions had been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements. The effect of these changes on the deferred tax balances is also not considered material and has therefore not been disclosed.

There are no other factors which are expected to significantly affect the future tax charge.

No provision has been made for gains arising on the disposal of leases in prior years. These gains have been rolled over into replacement assets therefore such tax will only become payable when these assets are sold without it being possible to claim rollover relief. The total amount unprovided is £nil (2009 £183,000).

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## 6 Intangible assets

	Goodwill £'000
<b>Cost</b>	
<b>At 1 November 2009 and 31 October 2010</b>	<b>395</b>
<b>Accumulated amortisation</b>	
At 1 November 2009	88
Charge for the year	31
<b>At 31 October 2010</b>	<b>119</b>
<b>Net book amount</b>	
<b>At 31 October 2010</b>	<b>276</b>
At 31 October 2009	307

The goodwill arose on the acquisition of arcades and was transferred at net book value as part of the transfer of trade and assets from another group company in a prior year. The goodwill is being amortised over its remaining estimated useful life at the time of transfer of 12 years.

## 7 Tangible assets

	Long leasehold properties £'000	Short leasehold properties £'000	Fixtures and fittings £'000	Total £'000
<b>Cost</b>				
At 1 November 2009	144	907	4,227	5,278
Additions	-	39	80	119
<b>At 31 October 2010</b>	<b>144</b>	<b>946</b>	<b>4,307</b>	<b>5,397</b>
<b>Accumulated depreciation</b>				
At 1 November 2009	144	300	3,452	3,896
Charge for the year	-	89	206	295
<b>At 31 October 2010</b>	<b>144</b>	<b>389</b>	<b>3,658</b>	<b>4,191</b>
<b>Net book amount</b>				
<b>At 31 October 2010</b>	<b>-</b>	<b>557</b>	<b>649</b>	<b>1,206</b>
At 31 October 2009	-	607	775	1,382

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## 8 Stocks

	2010	2009
	£'000	£'000
Consumables	124	127

## 9 Debtors

	2010	2009
	£'000	£'000
Trade debtors	2	18
Amounts owed by group undertakings	46	1,405
Amounts owed by related parties	296	41
Other debtors	5	-
Prepayments and accrued income	704	678
	<b>1,053</b>	<b>2,142</b>

Amounts owed by group undertakings are unsecured, interest free and repayable on demand

Amounts owed by related parties are unsecured, interest free and repayable on demand

## 10 Creditors: amounts falling due within one year

	2010	2009
	£'000	£'000
Bank overdraft	27	-
Trade creditors	307	334
Amounts owed to group undertakings	1,396	1,269
Amounts owed to related parties	332	61
Corporation tax	-	4
Taxation and social security	128	122
Other creditors	22	23
Accruals and deferred income	144	331
	<b>2,356</b>	<b>2,144</b>



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## 10 Creditors: amounts falling due within one year (continued)

Amounts owed to group undertakings are unsecured, interest free and repayable on demand

Amounts owed to related parties are unsecured, interest free and repayable on demand

The directors have received confirmation that amounts owed to group undertakings will not be required to be repaid within a period of at least 12 months from the signing of these financial statements unless the company has the financial resources to do so

The company has given a cross guarantee on the obligations by fellow group undertakings under a facilities agreement with the group's bankers At 31 October 2010 the liability was £nil (2009 £nil)

## 11 Provision for liabilities

	2010	2009
	£'000	£'000
<b>Deferred tax comprises:</b>		
Accelerated capital allowances	32	66
The movement during the year arose as follows		£'000
At 1 November 2009		66
Deferred tax credit for the year (note 5)		(34)
<b>At 31 October 2010</b>		<b>32</b>

## 12 Called up share capital

	2010	2009
	£	£
<b>Authorised</b>		
1,000 ordinary shares of £1 each	1,000	1,000
<b>Allotted and fully paid</b>		
100 ordinary shares of £1 each	100	100

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## 13 Profit and loss account

	£'000
At 1 November 2009	2,506
Loss for the financial year	(1,622)
<b>At 31 October 2010</b>	<b>884</b>

## 14 Reconciliation of movements in shareholders' funds

	2010	2009
	£'000	£'000
Loss for the financial year	(1,622)	(193)
Opening shareholders' funds	2,506	2,699
<b>Closing shareholders' funds</b>	<b>884</b>	<b>2,506</b>

## 15 Lease commitments

The company has the following annual commitments in respect of non-cancellable operating leases expiring in the following years for which provision has not been made

	Land and buildings		Other	
	2010	2009	2010	2009
	£'000	£'000	£'000	£ 000
Expiring				
Within one year	-	-	-	32
Within two to five years	42	5	28	4
After more than five years	1,391	1,643	216	28
	<b>1,433</b>	<b>1,648</b>	<b>244</b>	<b>64</b>

## **Matchurban**

### **16 Ultimate parent undertaking**

The immediate parent undertaking is DC Gaming Limited, a company registered in England. The ultimate parent undertaking is Red Poppy (Gibraltar) Limited, a company registered in Gibraltar. Red Poppy (UK) Limited (formerly Starflex Systems Limited) is the parent undertaking of the smallest group of undertakings to consolidate these financial statements at 31 October 2010 and Red Poppy (Gibraltar) Limited the parent company of the largest group of undertakings to consolidate these financial statements. The consolidated financial statements of Red Poppy (UK) Limited can be obtained from the Company secretary, St Ann's Wharf, 112 Quayside, Newcastle upon Tyne, NE1 3DX.

The ultimate controlling party is P Noble.

### **17 Related party transactions**

Transactions with other Red Poppy (Gibraltar) Limited group companies are not disclosed as the company has taken advantage of the exemption available under Financial Reporting Standard No. 8 "related party disclosures", as the company is a wholly owned subsidiary of Red Poppy (Gibraltar) Limited.

Amounts owed by and to related parties are shown in notes 9 and 10 respectively.