

Annual Report and Financial Statements

Gala Casinos Limited

For the year ended 26 September 2015



DIRECTORS AND ADVISORS

DIRECTORS

C Leaver
R Templeman
P Bowtell
Gala Coral Nominees Limited
Gala Coral Properties Limited

COMPANY SECRETARY

Gala Coral Secretaries Limited

INDEPENDENT AUDITOR

KPMG LLP
Chartered Accountants and Statutory Auditor
St Nicholas House
Park Row
Nottingham
NG1 6FQ

REGISTERED OFFICE

New Castle House
Castle Boulevard
Nottingham
NG7 1FT

Gala Casinos Limited

STRATEGIC REPORT

for the year ended 26 September 2015

The directors present their strategic report on Gala Casinos Limited for the year ended 26 September 2015.

RESULTS AND DIVIDENDS

The profit for the financial year after taxation amounted to £3,834,000 (2014: loss of £6,190,000). Dividends of £nil (2014: £nil) have been paid during the year.

BUSINESS REVIEW AND KEY PERFORMANCE INDICATORS

The company provided casino operations up until December 2013.

The profit for the year includes interest receivable of £1,118,000 (2014: £1,641,000) on a loan with another group companies, partially offset by interest receivable on loans with other group companies.

During the year the company recorded net income of £2,898,000 in respect of onerous leases, primarily resulting from the settlement of one lease.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risk the company faces is liquidity risk and the ability of counterparties within the group to meet interest payments.

On behalf of the board



H A Willits

For and on behalf of
Gala Coral Secretaries Limited
Company Secretary
24 June 2016

DIRECTORS' REPORT

for the year ended 26 September 2015

The directors present their annual report and the audited financial statements of the company for the year ended 26 September 2015. These financial statements are drawn up to the last Saturday in September each year. As a result of this the company benefits from an additional 53rd week of trading in certain year (last 53 week year was 2012).

PRINCIPAL ACTIVITIES AND FUTURE DEVELOPMENTS

The company continued to trade as a casino operator up until December 2013 when its remaining 4 UK trading casinos were sold, after which the company ceased to trade.

The company still holds various vacant lease provisions.

GOING CONCERN

The directors have continued to review the company's cash flow forecasts and after making appropriate enquiries, have formed the view that the company is financially robust and will generate sufficient cash to meet its ongoing requirements for at least the next 12 months from the date of approval of these financial statements.

DIRECTORS

The following served as directors during the year and up to the date of signing the financial statements:

C Leaver

R Templeman

P Bowtell

Gala Coral Nominees Limited

Gala Coral Properties Limited

DIRECTORS' INDEMNITIES AND INSURANCE

The Gala Coral Group maintains a qualifying (as defined by law) directors' and officers' liability insurance. The above named directors, (except for the corporate directors) have received an indemnity from the group to the extent permitted by law throughout the year and up to the date of signing this report. Neither the indemnity nor the insurance will provide cover in situations where a director has acted fraudulently or dishonestly.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITOR

For all the directors at the time this report was approved, the following applies:

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

Gala Casinos Limited

DIRECTORS' REPORT (CONTINUED) for the year ended 26 September 2015

AUDITOR

KPMG LLP was appointed as auditor during the year. Pursuant to Section 487 of the Companies Act 2006, KPMG LLP will be deemed to be reappointed and will therefore continue in office.

By order of the board



H A Willits

For and on behalf of
Gala Coral Secretaries Limited
Company Secretary
24 June 2016

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

The directors are responsible for preparing the Strategic Report, 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GALA CASINOS LIMITED

We have audited the financial statements of Gala Casinos Limited for the year ended 26 September 2015 set out on pages 7 to 17. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally 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 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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, 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

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 26 September 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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 Flanagan (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St Nicholas House
Park Row
Nottingham
NG1 6FQ

Date 24 June 2016

Gala Casinos Limited

PROFIT AND LOSS ACCOUNT for the year ended 26 September 2015

	Notes	2015 £000	2014 £000
TURNOVER	2	-	2,393
Cost of sales		-	(68)
		<hr/>	<hr/>
GROSS PROFIT		-	2,325
Administrative net income (expenses)		2,869	(3,854)
Operating loss before exceptional administrative items		(29)	(460)
Exceptional administrative items	3	2,898	(1,069)
		<hr/>	<hr/>
OPERATING PROFIT/(LOSS)	3	2,869	(1,529)
Loss on disposal of discontinued operations	4	-	(6,057)
		<hr/>	<hr/>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		2,869	(7,586)
Interest receivable and similar income	7	1,118	1,641
Other finance costs	8	(112)	(330)
		<hr/>	<hr/>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		3,875	(6,275)
Tax on profit/(loss) on ordinary activities	9	(41)	85
		<hr/>	<hr/>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		3,834	(6,190)
		<hr/> <hr/>	<hr/> <hr/>

All the operations of the company are discontinued.

Gala Casinos Limited

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS for the year ended 26 September 2015

	2015 £000	2014 £000
Profit/(loss) for the financial year	3,834	(6,190)
Opening shareholders' funds	3,027	9,217
CLOSING SHAREHOLDERS' FUNDS	6,861	3,027

NOTE OF HISTORICAL COST PROFITS AND LOSSES for the year ended 26 September 2015

	2015 £000	2014 £000
Reported profit/(loss) on ordinary activities before taxation	3,875	(6,275)
Revaluation surplus realised on sale of tangible fixed assets	-	2,853
Historical profit/(loss) on ordinary activities before taxation	3,875	(3,422)
Historical profit/(loss) for the year after taxation	3,834	(3,337)

Gala Casinos Limited

BALANCE SHEET

for the year ended 26 September 2015

	Notes	2015 £000	2014 £000
CURRENT ASSETS			
Debtors	10	7,710	13,266
CREDITORS: amounts falling due within one year	11	(125)	(1,621)
NET CURRENT ASSETS		7,585	11,645
PROVISIONS FOR LIABILITIES	12	(724)	(8,618)
NET ASSETS		6,861	3,027
CAPITAL AND RESERVES			
Called up share capital	13	-	-
Profit and loss account	14	6,861	3,027
TOTAL SHAREHOLDERS' FUNDS		6,861	3,027

The financial statements on pages 7 to 17 were approved by the Board of Directors on 24 June 2016 and are signed on its behalf by:



P Bowtell
Director

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 26 September 2015

1. ACCOUNTING POLICIES

Basis of preparation

The company is exempt from preparing group financial statements under Section 400 of the Companies Act 2006 since it is a wholly owned subsidiary of another UK company, and accordingly the financial statements present information about the company as an individual undertaking only.

The financial statements are prepared on a going concern basis under the historical cost convention, as modified by the revaluation of land and buildings, the accounting policies set out below, and in accordance with applicable accounting standards in the United Kingdom and the Companies Act 2006.

Going concern

The directors have continued to review the company's cash flow forecasts and after making appropriate enquiries, have formed the view that the company is financially robust and will generate sufficient cash to meet its ongoing requirements for at least the next 12 months from the date of approval of these financial statements.

Cash flow statement and related party disclosures

The company is included in the consolidated financial statements of Gala Coral Group Limited, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996) 'Cash Flow Statements'.

The company is also exempt under the terms of FRS 8 'Related Party Disclosures' from disclosing related party transactions with wholly owned entities that are part of the Gala Coral Group.

Cost of sales

Cost of sales primarily comprises the cost of gaming duties and machine rentals.

Exceptional items

Exceptional items are those items which, by their size or nature, are separately disclosed in order to give a full understanding of the company's financial performance and to aid comparability of the company's results between periods.

Property provisions

Provision has been made for vacant, partly sub-let leasehold properties and onerous leases. Provisions for onerous leases are recognised when the company believes that the unavoidable costs of meeting the lease obligations exceed the economic benefits expected to be received under the lease.

Any creation or release of these provisions is included within operating exceptional items. For the vacant and sub-let properties, provision has been made for the shorter of the remaining period of the lease and the period until, in the directors' opinion, the company will be able to exit the lease commitment. The amount provided is based on the future rental obligations, together with other outgoings, net of any sub-lease income.

Provision has been made on a discounted cash flow basis for onerous leases based on the element of the rental payments which are considered to be onerous. In determining the provision for the properties, the cash flows have been discounted using a risk-free discount rate. Provision has been made for the cost of carrying out remedial works in respect of the company's leasehold properties when the company is legally obliged to rectify the matter.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 26 September 2015

1. ACCOUNTING POLICIES (continued)

Pensions

The company participates in the Gala Coral Pension Plan. The scheme has a defined benefit section and a defined contribution section. The assets of the scheme are managed separately from those of the group. The defined benefit section of the scheme is closed to new entrants and to future accrual benefits.

The company is unable to identify its share of the underlying assets and liabilities in the group pension scheme and hence it is accounted for as a defined contribution scheme under FRS 17 (Amended) "Retirement Benefits". Contributions are charged to the profit and loss account as they are incurred.

The defined contribution pension scheme is for certain employees and directors. The amounts charged to the profit and loss account in respect of pension costs and other post-retirement benefits, represents the contributions payable in the year as per the payment certificates. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

2. TURNOVER

Turnover is principally gaming win, which represents the difference between gaming wins and losses before deduction of gaming duty, but after deduction of VAT. Revenues from the sale of food and beverages are recorded net of VAT.

Turnover is attributable to one activity – operating casinos. Turnover both by source and destination all relates to the United Kingdom.

3. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging/(crediting):

		2015 £000	2014 £000
Operating lease rentals	- land and buildings	-	178
	- plant and machinery	-	107
		<u> </u>	<u> </u>
<i>Exceptional administrative items</i>			
Other restructuring costs	(a)	-	427
Gaming machine VAT claim	(b)	-	251
Creation of onerous leases	note 17	872	431
Release of onerous lease provision	note 17	(3,770)	(40)
		<u> </u>	<u> </u>
		(2,898)	1,069
		<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 26 September 2015

3. OPERATING PROFIT/(LOSS) (continued)

Exceptional administrative items consist of:

- (a) Primarily relates to costs associated with redundancies as a result of the sale of the casinos and costs relating to closed clubs.
- (b) Following the UK Court of Appeal's ruling in favour of HMRC on fiscal neutrality of VAT on gaming machines, a charge of £251,000 was recognised by the company in the year ended 27 September 2014 for the repayment of amounts previously received. (See note 16).

No charge or credit (2014: £nil) attributable to exceptional items has been included within the current tax charge since the company makes and receives no payment for group relief (2014: nil %).

The auditors' remuneration has been paid by Gala Group II Limited, a fellow subsidiary company. The amount in respect of the company is £2,500.

4. LOSS ON DISPOSAL OF DISCONTINUED OPERATIONS

During December 2013 the company sold its remaining 4 UK trading casinos for a consideration of £9,200,000, realising a loss of £6,057,000.

5. DIRECTORS' REMUNERATION

The directors who have served during the year are also directors of other undertakings within the group and spend an immaterial amount of their time on activities relating to the company. As such, none of their remuneration is considered to be for qualifying services to the company (2014: £nil).

6. STAFF COSTS

	2015 £000	2014 £000
Wages and salaries	-	952
Redundancy costs	-	319
Social security costs	-	74
Other pension costs	-	23
	<u>-</u>	<u>1,368</u>

The monthly average number of employees during the year was as follows:

	2015 Number	2014 Number
Casino employees	-	56
	<u>-</u>	<u>56</u>

Gala Casinos Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 26 September 2015

7. INTEREST RECEIVABLE

	2015 £000	2014 £000
Interest receivable and similar income		
Interest receivable from group companies	1,118	1,641
	<u> </u>	<u> </u>

8. OTHER FINANCE COSTS

	2015 £000	2014 £000
Unwinding of discount in provisions (see note 12)	112	330
	<u> </u>	<u> </u>

9. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

a) Current tax:

The taxation charge/(credit) is made up as follows:

	2015 £000	2014 £000
Current tax:		
Adjustment in respect of prior years' group relief	41	(85)
	<u> </u>	<u> </u>
Tax charge/(credit) on profit/(loss) on ordinary activities	41	(85)
	<u> </u>	<u> </u>

The company makes and receives no payment for group relief for the year (2014: nil %).

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 26 September 2015

9. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES (continued)

b) Factors affecting the current tax charge/(credit):

The tax on the profit/(loss) on ordinary activities for the year differs from the average standard rate of corporation tax in the UK. The differences are reconciled below:

	2015 £000	2014 £000
Profit/(loss) on ordinary activities before taxation	3,875	(6,275)
Profit/(loss) on ordinary activities multiplied by average standard rate of corporation tax in the UK for the year of 20.51% (2014: 22.02%)	795	(1,382)
Adjustment in respect of prior year group relief	41	(85)
Expenses not deductible for tax purposes	892	2,289
Capital allowances in excess of depreciation	-	(420)
Group relief claimed for nil payment	(1,687)	(485)
Short term timing differences	-	(2)
Current tax charge/(credit) for the year	41	(85)

Finance Act 2015 included provision for the reduction of corporation tax to rates of 19% and 18% with effect from 1 April 2017 and 1 April 2020 respectively. Post year end the Finance Act has been substantively enacted and it has been further announced that the standard rate will now be reduced to 17% from 1 April 2020.

10. DEBTORS

	2015 £000	2014 £000
Amounts owed by group companies	7,697	13,227
Other debtors	13	21
Prepayments and accrued income	-	18
	7,710	13,266

Amounts owed by group companies are unsecured and have no fixed date of repayment. Amounts owed by group companies bear interest at a rate linked to the group's borrowing costs.

Gala Casinos Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 26 September 2015

11. CREDITORS: amounts falling due within one year

	2015 £000	2014 £000
Trade creditors	41	430
Other taxation and social security costs	-	1,084
Accruals and deferred income	84	107
	<u>125</u>	<u>1,621</u>

12. PROVISIONS FOR LIABILITIES

	Vacant leases £000	VAT claim £000	Total £000
At 27 September 2014	8,073	545	8,618
Created	872	-	872
Released	(3,770)	-	(3,770)
Utilised	(5,108)	-	(5,108)
Unwinding of discount	112	-	112
	<u>179</u>	<u>545</u>	<u>724</u>
At 26 September 2015	179	545	724

Provision has been made for vacant and partly sub-let leasehold properties at the shorter of the remaining period of the lease, which at 26 September 2015 is an average of 1 year (2014: 13 years), and the period until in the directors' opinion the company will be able to exit the lease commitment. The amount provided is based on the future rental obligations, together with other fixed outgoings, net of any sub-lease income. In determining the provision for the properties, the cash flows have been discounted using a risk free rate of return.

The vacant lease provision is expected to be utilised within 1 year (2014: 13 years).

The VAT provision relates to potential amounts owed to HMRC following the Supreme Court ruling in favour of HMRC, on fiscal neutrality of VAT on gaming machines. The timing of any settlement is out of the control of the company.

Gala Casinos Limited

NOTES TO THE FINANCIAL STATEMENTS for the year ended 26 September 2015

13. CALLED UP SHARE CAPITAL

<i>Allotted and fully paid:</i>	Ordinary shares of 0.000001p	
	Number	£000
At 26 September 2015 and at 27 September 2014	170,300,000	-

14. PROFIT AND LOSS ACCOUNT

	£000
At 27 September 2014	3,027
Profit for the financial year	3,834
At 26 September 2015	6,861

15. PENSION COMMITMENTS

During 2013, the group closed its defined contribution pension scheme, which the company participated in, and transferred all its participants into personal pension plans. The pension cost charge for the year represents contributions paid by the company in respect of its employees into the current personal pension plans and the old group defined contribution scheme.

The company also participates in a group operated defined benefit pension scheme, which was closed to new entrants from October 2002. The defined benefit pension scheme is funded by the payment of contributions to separately administered trust funds. The contributions to the scheme are determined with the advice of independent qualified actuaries on the basis of triennial valuations. On 28 September 2013 the scheme was closed to future accrual and all participants were transferred to personal pension plans.

It is not practical to allocate the valuation between the various participating group companies, and hence it is accounted for as a defined contribution scheme under Financial Reporting Standard 17 (Amended) "Retirement Benefits". Details of the valuation of the Group's pension scheme, carried out in accordance with FRS 17 are included in the consolidated financial statements of Gala Coral Group Limited

The pension charge for the year represents total contributions paid by the company to the above schemes in respect of company employees and amounted to £nil (2014: £23,000).

16. CONTINGENT ASSETS

Following the ruling on 30 October 2013 by the Court of Appeal in relation to Gaming Machine VAT contravening the principles of fiscal neutrality, the company repaid £2,819,000 to HMRC. The directors remain confident that upon appeal the UK courts will find in favour of the gaming operators and as such disclose a contingent asset in relation to this claim.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 26 September 2015

17. GUARANTEES

The borrowings of the Gala Coral Group are secured on the assets of the company and are guaranteed by fellow members of the group. The extent of the group borrowings can be found in the Gala Coral Group Limited's annual report.

18. ULTIMATE CONTROLLING PARTY

At 26 September 2015 the company was a subsidiary of Gala Group Investments Limited, a company incorporated in England and Wales.

The only group in which the results of Gala Casinos Limited are consolidated is that headed by Gala Coral Group Limited, a company incorporated in England and Wales. Consolidated financial statements are available to the public and may be obtained from Gala Coral Group Limited, New Castle House, Castle Boulevard, Nottingham, NG7 1FT.

As at 26 September 2015 the ultimate parent company and controlling party of the group was GCG Manager S.A Luxco S.C.A a "société en commandité par actions" established under the laws of Luxembourg.