Annual Report and Accounts

Gala Casinos Limited

For the year ended 28 September 2013

Registered number: 04054596

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 AUDITORS
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Donington Court
Pegasus Business Park
Castle Donington
East Midlands
DE74 2UZ

REGISTERED OFFICE
New Castle House
Castle Boulevard
Nottingham
NG7 1FT

DIRECTORS' REPORT
for the year ended 28 September 2013

The directors present their annual report and the audited financial statements of the Company for the year ended 28 September 2013. 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).

RESULTS AND DIVIDENDS
The loss for the year after taxation amounted to £17,137,000 (2012: £3,105,000). Dividends of £179,000,000 (2012: £nil) have been paid during the year.

PRINCIPAL ACTIVITIES AND FUTURE DEVELOPMENTS
The Company continued to trade as a casino operator up until December 2013 when the last of its operating casinos were sold. The Company still holds various vacant lease provisions.

On 11 January 2013 the Company's immediate parent company became Grosvenor Casinos (GC) Limited (formerly Gala Casino 1 Limited), following a share for share exchange with Gala Group Investments Limited. On 23 January 2013 the Company issued 52,999,989 ordinary shares of £1 each for a nominal value of £52,999,989, after which the Company then reduced its share capital, creating additional distributable reserves.

On 23 January 2013 the Company rationalised its intercompany loans with its former parent company, Gala Group Investments Limited, at no profit/loss.

On 16 February 2013 Grosvenor Casinos (GC) Limited received 19 UK casinos from the Company through the receipt of a dividend in specie. Thereafter, the immediate parent company of Gala Casinos Limited became Gala Group Investments Limited following the purchase of the Company's shares.

In December 2013 the Company sold its remaining 4 UK casinos for a consideration of £9,200,000. The profit on sale is still in the process of finalisation.

These disposals have been treated as discontinued operations in the profit and loss account as they all occurred either within the financial year or within 3 months after the year end. Following the sale of the remaining 4 UK casinos, the Company has not traded.

Following the UK Court of Appeal's recent ruling in favour of HMRC on fiscal neutrality of VAT on gaming machines, a charge of £3,113,000 has been recognised by the Company. The directors remain confident that the case will ultimately find in favour of the gaming operators, however based on the most recent ruling, they believe it appropriate to provide adequately for the potential exposure at this stage. Following the year end, the Company repaid £2,819,000 of this claim back to HMRC.

PRINCIPAL RISKS AND UNCERTAINTIES
The Group's risks are managed at a group level, rather than at an individual business unit level and the company's directors believe that a discussion of the Group's risks would not be appropriate for an understanding of the development, performance or position of Gala Casinos Limited's business. The principal and financial risks and uncertainties of the Group, which include those of the company, are discussed on pages 17 to 19 of Gala Coral Group Limited's annual report which does not form part of this report.

POLITICAL AND CHARITABLE DONATIONS
During the year, the company made charitable donations of £1,400 (2012: £1,650). No political donations were made (2012: £nil).

BUSINESS REVIEW AND KEY PERFORMANCE INDICATORS

The Group's operations are managed on a divisional basis. For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of Gala Casinos Limited. The development, performance and position of the Group, which includes this company, is discussed on pages 2 to 10 of Gala Coral Group Limited's annual report which does not form part of this report.

SUPPLIER PAYMENT POLICY

The company agrees payment terms with all its main suppliers and abides by these terms subject to satisfactory performance by the supplier. Amounts owed to other suppliers are settled on or before the end of the month following receipt of a valid invoice. At 28 September 2013, trade creditors outstanding represented 43 days (2012: 56 days) purchases from suppliers.

DISABLED EMPLOYEES

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that all employees be given equal opportunities in respect of training, career development and promotion.

EMPLOYEE INVOLVEMENT

The company places considerable value on the involvement of its employees and has continued its practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the company. There are widely established arrangements involving briefing, group consultancy committees and the publication of company newsletters.

It is company policy that there shall be no discrimination in respect of sex, colour, religion, race, nationality or ethnic origin and that equal opportunity shall be given to all employees.

GOING CONCERN

The directors have continued to review the Group's cash flow forecasts and trading budgets and after making appropriate enquiries, have formed the view that the Group is operationally and financially robust and will generate sufficient cash to meet its ongoing requirements for at least the next 12 months from the signing of this report. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The financial statements have been prepared on a going concern basis as the directors of fellow group companies have confirmed they will continue to support the Company for a period of at least one year from the date these financial statements were approved.

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' REPORT (CONTINUED)
for the year ended 28 September 2013

DIRECTORS' INDEMNITIES AND INSURANCE
The Group maintains 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. 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 AUDITORS
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 auditors are 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 auditors are aware of that information.

By order of the board

H A Willits

For and on behalf of
Gala Coral Secretaries Limited
Company Secretary
19 May 2014

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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements: and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board

H A Willits

For and on behalf of
Gala Coral Secretaries Limited
Company Secretary
19 May 2014

INDEPENDENT AUDITORS' REPORT
to the members of Gala Casinos Limited

We have audited the financial statements of Gala Casinos Limited for the year ended 28 September 2013 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Reconciliation of Movements in Shareholders' Funds, note of historical cost profits and losses, the Balance Sheet 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 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.

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. In addition, we read all the financial and non-financial information in the Annual report and accounts 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 28 September 2013 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)
to the members of Gala Casinos Limited

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.

N. Steph

Neil Stephenson (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
East Midlands
22 May 2014

PROFIT AND LOSS ACCOUNT
for the year ended 28 September 2013

	Notes	2013 £000	2012 £000
TURNOVER	2	56,520	118,984
Cost of sales		(13,770)	(24,923)
GROSS PROFIT		42,750	94,061
Total administrative expenses		(59,324)	(98,092)
Operating profit before exceptional administrative items		2,763	2,816
Exceptional administrative items	3	(19,337)	(6,847)
OPERATING LOSS BEFORE OTHER OPERATING INCOME		(16,574)	(4,031)
Other operating income		81	202
OPERATING LOSS	3	(16,493)	(3,829)
Profit on disposal of fixed asset investments		-	2,056
Profit on disposal of tangible fixed assets		211	3,811
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		(16,282)	2,038
Interest receivable and similar income	6	14,181	30,281
Interest payable and similar charges	7	(13,270)	(34,590)
Other finance costs	8	(523)	(716)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(15,894)	(2,987)
Tax on loss ordinary activities	10	(1,243)	(118)
LOSS FOR THE FINANCIAL YEAR	20	(17,137)	(3,105)

All the operations of the company are discontinued.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 28 September 2013

	Notes	2013 £000	2012 £000
Loss for the financial year		(17,137)	(3,105)
Surplus on revaluation of tangible fixed assets	20	123,762	-
TOTAL RECOGNISED GAINS AND LOSSES FOR THE FINANCIAL YEAR		106,625	(3,105)

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
for the year ended 28 September 2013

	Notes	2013 £000	2012 £000
Total recognised gains and (losses) for the financial year		106,625	(3,105)
FRS 20 'Share Based Payment Charge'		338	4,858
Shares issued	19	53,000	-
Dividends paid to group companies	9	(179,000)	-
Opening shareholders' funds		25,401	23,648
CLOSING SHAREHOLDERS' FUNDS		6,364	25,401

NOTE OF HISTORICAL COST PROFITS AND LOSSES
for the year ended 28 September 2013

	2013 £000	2012 £000
Reported loss on ordinary activities before taxation	(15,894)	(2,987)
Difference between historical cost depreciation charge and the actual depreciation charge for the year	(1,303)	-
Historical loss on ordinary activities before taxation	(17,197)	(2,987)
Historical cost loss for the year after taxation	(18,440)	(3,105)

BALANCE SHEET
As at 28 September 2013

	Notes	2013 £000	2012 £000
FIXED ASSETS			
Intangible assets	11	-	18,227
Tangible fixed assets	12	9,200	61,648
		9,200	79,875
CURRENT ASSETS			
Stocks	13	61	374
Debtors (including, amounts due after more than one year £17,088,000 (2012: £332,180,000))	14	18,390	338,027
Cash at bank and in hand		1,458	10,689
		19,909	349,090
CREDITORS: amounts falling due within one year	15	(4,394)	(20,220)
NET CURRENT ASSETS		15,515	328,870
TOTAL ASSETS LESS CURRENT LIABILITIES		24,715	408,745
CREDITORS: amounts falling due after more than one year	16	-	(367,842)
PROVISIONS FOR LIABILITIES	18	(15,498)	(15,502)
NET ASSETS		9,217	25,401
CAPITAL AND RESERVES			
Called up share capital	19	-	117,300
Revaluation reserve	20	2,853	-
Profit and loss account	20	6,364	(91,899)
TOTAL SHAREHOLDERS' FUNDS		9,217	25,401

The financial statements on pages 7 to 26 were approved by the Board of Directors on 19 May 2014 and are signed on its behalf by:

Paul Bowtell

P Bowtell
Director

Registered number: 04054596

NOTES TO THE ACCOUNTS
for the year ended 28 September 2013

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, except in relation to goodwill and group relief, which are stated below. The accounting policies have been consistently applied to both of the years presented in these financial statements except for the change noted below.

Change in accounting policy
The accounting policy regarding tangible fixed assets has been amended. Tangible fixed assets are now subject to periodic revaluation, as set out in the accounting policy below. Previously the Company recorded them at historical cost.

The change in accounting policy resulted in a revaluation reserve of £126,615,000 and a corresponding increase in the value of fixed assets, which resulted in a higher dividend in specie on the distribution of the properties to the Company's then parent company, Grosvenor Casinos (GC) Limited (formerly Gala Casino 1 Limited). Following the revaluation the properties were no longer depreciated prior to the dividend in specie.

Going concern
The directors have continued to review the Group's cash flow forecasts and trading budgets and after making appropriate enquiries, have formed the view that the Group is operationally and financially robust and will generate sufficient cash to meet its ongoing requirements for at least the next 12 months from the signing of this report. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The financial statements have been prepared on a going concern basis as the directors of fellow group companies have confirmed they will continue to support the Company for a period of at least one year from the date these financial statements were approved.

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.

1. **ACCOUNTING POLICIES** (continued)

Licences
Intangible assets include the capitalisation of a ten year licence to use intellectual property. Intellectual property consists of trademarks, patents and domain names.

Licences are amortised, on a straight line basis, over the life of the contract, ten years.

Goodwill
On acquisition of a business, fair values are attributed to the net assets acquired. Goodwill is the difference between the amount paid on the acquisition of a business and the aggregate fair value of its separable net assets. Except as noted below, goodwill is capitalised and amortised over its estimated useful life of up to 20 years. Where a business is sold, the net book value of goodwill allocated to the business is charged through the profit and loss account as part of the profit or loss on disposal.

However, the directors have concluded that goodwill arising on the acquisition of its "bricks and mortar" gaming businesses should not be amortised as it has an indefinite useful economic life. The goodwill is considered to have indefinite durability that can be demonstrated and its value can be readily measured.

The acquired businesses operate in longstanding and profitable market sectors. The Group has a strong position in the market and there are barriers to entry due to the requirement to demonstrate that the applicant is a fit and proper person with the "know-how" required to run such operations. The regulation of the industry also restricts the games that can be offered and consequently reduces the risk of product obsolescence.

Annual impairment reviews of this goodwill are carried out and any resulting write down is charged to the profit and loss account.

The non-amortisation of this goodwill constitutes a departure from the Companies Act 2006 404(5), for the purpose of giving a true and fair view of the Group's results for the reasons outlined above. If goodwill arising on these acquisitions had been amortised over a 20-year period, the operating profit would have increased by £319,000 for the year ended 28 September 2013 (2012: decreased by £319,000). Cumulatively, goodwill would have been amortised by £17,479,000 (2012: £3,980,000).

Tangible fixed assets and depreciation
All fixed assets are initially recorded at cost. They are subsequently re-valued annually, with any revaluation surplus being taken to a revaluation reserve. Deficits to revaluation are taken to the profit and loss account to the extent that they exceed previous surpluses on the same asset, except where their recoverable value exceeds depreciated historical cost. For buildings that have been purchased as part of a business acquisition, the initial carrying value includes the trading potential of the properties, which reflects the benefit of the gaming licences attached to trading properties. Subsequent additions to tangible assets are stated at cost. Depreciation is provided on all tangible assets, with the exception of freehold land and trading potential, at rates calculated to write off the cost of each asset evenly over its expected useful life, as follows:

Freehold buildings	-	over 50 years
Leasehold land and buildings	-	shorter of 50 years or unexpired term of lease
Fixtures and fittings	-	over 3 to 10 years

1. **ACCOUNTING POLICIES** (continued)

Impairment reviews
The need for any asset impairment provision is assessed by comparison of the carrying value of an income generating unit, which normally comprises casinos which operate as a team within a market place, against the higher of the net realisable value or value in use. In addition, sites or groups of sites are considered separately where there have been exceptional circumstances impacting on their profitability that may indicate a material impairment at that level.

The value in use is determined from the estimated discounted future cash flows of the income generating unit.

The future cash flows are based on the forecasts and budgets of the income generating unit or business. The key assumptions within the budget are the admissions levels, spend or drop per head, win percentage for the casino business, wage increases and the fixed costs of the casino.

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 have occurred at that date which will result in an obligation to pay more, or a right to pay less or to receive more, tax with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

- provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries only to the extent that, at the balance sheet date, dividends have been accrued as receivable; and

- deferred tax assets are recognised only to the extent that the directors consider it is more likely than not that there will be sufficient taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is calculated on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Stocks
Stocks are valued at the lower of cost and net realisable value.

Leasing commitments
Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease or up to the date of the next rental review.

Lease incentives are spread over the period up to the first rent review where market rate rents are applied.

1. ACCOUNTING POLICIES (continued)

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 freehold or leasehold properties when the Company is legally obliged to rectify the matter.

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.

Share based payments
The Gala Coral Group operates an equity-settled share based payment plan under which the company receives services from employees as consideration for the ability to participate in the purchase of equity instruments from the group's parent company. The fair value of the services received in exchange for the equity instrument is recognised as an expense. The total amount expensed is determined by reference to the fair value of the instruments granted:

- including any market performance conditions
- excluding the impact of any service and non-performance vesting conditions

The total expense is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied.

During the current year the Company charged an amount of £338,000 (2012: £4,858,000) from Gala Coral Group Limited in respect of the FRS 20 "Share Based Payment" charge for services rendered to the Company. This has been recorded within exceptional costs.

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.

In respect of the Fortune loyalty scheme, as points are issued to customers, the retail value of those points expected to be redeemed is deferred. When the points are used by customers they are recorded as turnover.

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

3. OPERATING LOSS

Operating loss is stated after charging/(crediting):

		2013 £000	2012 £000
Depreciation of tangible fixed assets		1,429	5,936
Amortisation of intangible assets		750	1,299
Operating lease rentals - land and buildings		6,392	9,826
- plant and machinery		2,286	3,032

Exceptional administrative items			
Other restructuring costs	(a)	400	259
Gaming machine VAT claim	(b)	3,113	-
FRS 20 'Share Based Payment Charge'	(c)	338	4,858
Release of deferred income		(551)	-
Impairment of intangible assets	11	17,477	-
Impairment of tangible fixed assets	12	802	
Creation of onerous leases	18	1,325	1,822
Release of onerous leases	18	(3,567)	(92)
		19,337	6,847

3. OPERATING 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 the release of an intercompany loan with a fellow subsidiary company.

(b) Following the UK Court of Appeal's recent ruling in favour of HMRC on fiscal neutrality of VAT on gaming machines, a charge of £3,113,000 has been recognised by the Company. The directors remain confident that the case will ultimately find in favour of the gaming operators, however based on the most recent ruling, they believe it appropriate to provide adequately for the potential exposure at this stage. Following the year end, the Company repaid £2,819,000 of this claim back to HMRC (see note 24).

(c) Represents the FRS 20 'Share Based Payments Charge'. This charge is an accounting charge only and does not represent a cash commitment on the UK Group or any of its subsidiaries, either now or in the future. The ultimate cash obligation lies with the Group's parent company, GCG Manager S.A Luxco S.C.A and only in an exit event.

One fee for auditors' remuneration has been charged for the Gala Coral Group audit, it is not practicable to split this by individual company. The auditors' remuneration has been paid by a fellow subsidiary company.

4. DIRECTORS' REMUNERATION

The directors who have served during the year are also directors of other undertakings within the group and do not receive any remuneration in respect of their services to the Company (2012: £nil). Their remuneration is included in the financial statements of Gala Coral Group Limited.

5. STAFF COSTS

	2013 £000	2012 £000
Wages and salaries	21,108	42,408
Redundancy costs (note 3)	1,491	136
Social security costs	1,713	3,528
Other pension costs	459	932
FRS 20 'Share Based Payment Charge'	338	4,858
	25,109	51,862

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

	2013 Number	2012 Number
Casino employees	1,272	2,337

NOTES TO THE ACCOUNTS
for the year ended 28 September 2013

6. INTEREST RECEIVABLE

Interest receivable and similar income

	2013 £000	2012 £000
Interest receivable from group companies	14,178	30,281
Bank interest receivable	3	-
	14,181	30,281

7. INTEREST PAYABLE

Interest payable and similar charges

	2013 £000	2012 £000
Bank interest payable	-	23
Interest payable to group companies	13,270	34,567
	13,270	34,590

8. OTHER FINANCE COSTS

	2013 £000	2012 £000
Unwinding of discount in provisions (see note 18)	523	716

9. DIVIDENDS

The Company paid a dividend of £179,000,000 by distribution of assets as follows:

	2013 £000	2012 £000
Tangible fixed assets (see note 12)	177,367	-
Deferred tax asset (see note 17)	1,422	-
Other assets	211	-
	179,000	-

10. TAX ON LOSS ON ORDINARY ACTIVITIES

a) The taxation charge is made up as follows:

	2013	2012
	£000	£000
Current tax:		
Current year group relief	376	(1,065)
Adjustment in respect of prior years group relief	11	44
Total current tax	387	(1,021)
Deferred tax:		
Origination and reversal of timing differences – current year	625	669
Impact of change in tax rate	93	407
Adjustment in respect of prior years	138	63
Total deferred tax (note 17)	856	1,139
Tax charge on loss on ordinary activities	1,243	118

The company makes and receives payment for group relief at the effective tax rate of 23.5% for the year (2012: 25%).

Deferred taxation includes a charge of £nil (2012: £nil) in respect of the exceptional administrative expenses set out in note 3. A group relief credit of £299,000 (2012: credit of £497,000) is included within current tax in respect of these items.

10. TAX ON LOSS ON ORDINARY ACTIVITIES (continued)

b) Factors affecting the current tax charge:

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

	2013	2012
	£000	£000
Loss on ordinary activities before taxation	(15,894)	(2,987)
Loss on ordinary activities multiplied by average standard rate of Corporation tax in the UK for the year of 23.5% (2012: 25%)	(3,737)	(747)
Adjustment in respect of prior year group relief	11	44
Expenses not deductible for tax purposes	4,504	1,215
Capital allowances in excess of depreciation	(391)	(724)
Non taxable income	-	(809)
Current tax charge/(credit) for the year	387	(1,021)

During the year, the UK corporation tax rate reduced from 24% to 23% from 1 April 2013. The reduction in the rate was substantively enacted on 3 July 2012.

Legislation to reduce the main rate of corporation tax from 23% to 21% from 1 April 2014 and from 21% to 20% from 1 April 2015 was included in the Finance Act 2013. Both rate changes had been substantively enacted on 2 July 2013.

11. INTANGIBLE ASSETS

	Licenses	Goodwill	Total
	£000	£000	£000
Cost:			
At 28 September 2013 and 29 September 2012	12,818	17,479	30,297
Amortisation:			
At 29 September 2012	8,409	3,661	12,070
Provided during the year	750	-	750
Impairment	3,659	13,818	17,477
At 28 September 2013	12,818	17,479	30,297
Net book value:			
At 28 September 2013	-	-	-
At 29 September 2012	4,409	13,818	18,227

On 1 December 2005 Gala Group Investments Limited granted Gala Casinos Limited a 10 year licence to ensure that Gala Casinos Limited had the legal right to use its intellectual property. On 9 December 2005 Gala Casinos Limited entered into a 10 year sub-licence agreement with Patmor Limited so that Patmor Limited has the use of its intellectual property. A charge was made for the use of these assets.

Following the sale of 19 of the Company's 23 casinos during May 2013, it was determined that the remaining business was unable to support the residual values of goodwill and licences. Accordingly these have been fully impaired.

12. TANGIBLE FIXED ASSETS

	Freehold land and buildings £000	Leasehold land & buildings £000	Fixtures & fittings £000	Total £000
Cost or valuation				
At 29 September 2012	14,895	50,638	45,852	111,385
Additions	6	270	259	535
Revaluation	-	109,744	(35,097)	74,647
Dividend in specie	(14,901)	(154,072)	(8,394)	(177,367)
At 28 September 2013	-	6,580	2,620	9,200
Depreciation				
At 29 September 2012	3,328	8,967	37,442	49,737
Provided during the year	13	1,161	255	1,429
Revaluation	(3,341)	(9,326)	(37,697)	(50,364)
Impairment	-	802	-	802
At 28 September 2013	-	-	-	-
Net book value				
At 28 September 2013	-	6,580	2,620	9,200
At 29 September 2012	11,567	41,671	8,410	61,648

The net book value of leasehold land and buildings comprises:

	2013 £000	2012 £000
Long leasehold	-	10,730
Short leasehold	6,580	30,941
	6,580	41,671

Included in freehold and leasehold land and buildings is trading potential at a value of £nil (2012: £22,997,000) which is not depreciated.

The Company's tangible fixed assets were re-valued on an open market for existing use on 16 February 2013 by the Company's directors. In determining this valuation they took account of the agreed price for the sale of 19 UK casinos to The Rank Group Plc. The implied valuation yield for these properties were taken into account in valuing the remaining 4 casinos. As set out in note 26 the remaining casinos have been sold subsequent to the year end.

13. STOCKS

	2013	2012
	£000	£000
Consumable stocks	61	374

14. DEBTORS

	2013	2012
	£000	£000
Amounts owed by group companies	17,088	332,180
Other debtors	376	225
Prepayments and accrued income	926	3,344
Deferred tax (note 17)	-	2,278
	18,390	338,027

Amounts owed by group companies are unsecured, repayable on demand, however the directors have confirmed that they do not intend to request payment within the next year. Amounts owed by group companies bear interest at a rate linked to the Group's borrowing costs. Amounts owed by non-trading group companies do not bear interest.

15. CREDITORS: amounts falling due within one year

	2013	2012
	£000	£000
Trade creditors	1,756	4,553
Other taxation and social security costs	1,809	6,878
Other creditors	158	647
Accruals and deferred income	671	8,142
	4,394	20,220

Included within other creditors is £5,000 (2012: £31,000) relating to outstanding contributions payable to pension schemes.

16. CREDITORS: amounts falling due after more than one year

	2013 £000	2012 £000
Amounts owed to group companies	-	367,842

Amounts owed to group companies are unsecured and have no fixed date of repayment. Amounts owed to group companies bear interest at a rate linked to the Group's borrowing costs. Amounts owed to non-trading group companies do not bear interest.

17. DEFERRED TAXATION

Movements in the deferred tax asset during the year were as follows:

	£000
At 29 September 2012	2,278
Movement through the profit and loss account	(856)
Net deferred tax transferred to group companies through the dividend in specie	(1,422)
At 28 September 2013	-

Deferred taxation asset in the account consists of:

	2013 £000	2012 £000
Depreciation in excess of capital allowances	-	2,255
Other timing differences	-	23
	-	2,278

As at 28 September 2013, the Company had an unrecognised deferred tax asset on accelerated capital allowances of £281,000 and on other timing differences of £11,000. Unrecognised deferred tax is calculated at 20%, the tax rate substantively enacted at the balance sheet date.

18. PROVISIONS FOR LIABILITIES

	VAT Claim £000	Vacant leases £000	Loyalty scheme £000	Total £000
At 29 September 2012	-	15,358	144	15,502
Created	3,113	1,325	-	4,438
Released	-	(3,567)	-	(3,567)
Utilised	-	(1,254)	(144)	(1,398)
Unwinding of discount	-	523	-	523
At 28 September 2013	3,113	12,385	-	15,498

Provision has been made for vacant and partly sub-let leasehold properties at the shorter of the remaining period of the lease, which at 28 September 2013 is an average of 16 years (2012: 17 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 16 years (2012: 17 years).

Following the UK Court of Appeal's recent ruling in favour of HMRC, on fiscal neutrality of VAT on gaming machines, a charge of £3,113,000 has been recognised by the Company. The directors remain confident that the case will ultimately find in favour of the gaming operators, however based on the most recent ruling, they believe it appropriate to adequately provide for the potential exposure at this stage. Following the year end, the Company repaid £2,819,000 of this claim back to HMRC.

19. CALLED UP SHARE CAPITAL

Allotted and fully paid:

	Ordinary shares Number	£000
At 29 September 2012 (of £1 each)	117,300,011	117,300
Shares issued (of £1 each)	52,999,989	53,000
Capital reduction	-	(170,300)
At 28 September 2013 (of 0.000001p each)	170,300,000	-

On 18 January 2013 the Company issued 52,999,989 ordinary shares of £1 each for a nominal value of £52,999,989.

On 29 January 2013 the Company completed a capital reduction whereby its ordinary shares were re-designated for £1 each to 0.000001p per share. The reduction in the nominal amount of share capital of £170,300,000 has been transferred to the Company's profit and loss reserve.

20. RESERVES

	Share capital £000	Revaluation reserve £000	Profit and loss account £000	Total reserves £000
At 29 September 2012	117,300	-	(91,899)	25,401
Share issue	53,000	-	-	53,000
Capital reduction (see note 19)	(170,300)	-	170,300	-
Surplus on revaluation of tangible fixed assets	-	126,615	-	126,615
Loss for the financial year	-	-	(17,137)	(17,137)
FRS 20 'Share Based Payment Charge'	-	-	338	338
Dividends paid (see note 9)	-	(123,762)	(55,238)	(179,000)
At 28 September 2013	-	2,853	6,364	9,217

21. CAPITAL COMMITMENTS

Amounts contracted for but not provided in the accounts amounted to £nil (2012: £41,000).

22. PENSION COMMITMENTS

The Company participates in group operated defined contribution pension scheme, the Gala Coral Pension Plan.

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 accounts 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 £331,000 (2012: £932,000).

23. OBLIGATIONS UNDER LEASES

Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings		Other	
	2013	2012	2013	2012
	£000	£000	£000	£000
Operating leases which expire:				
Within one year	155	-	5	1,167
Between two and five years	-	-	640	3,161
Over five years	1,221	9,540	-	-
	1,376	9,540	645	4,328

24. 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 has provided for the potential repayment to HMRC during the current year (see note 3 and note 18).

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 of £3,113,000 in relation to this claim. Following the year end, the Company repaid £2,819,000 of this claim back to HMRC.

25. 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.

26. POST BALANCE SHEET EVENTS

In December 2013 the Company sold its remaining 4 UK casinos for an initial consideration of £9,200,000. The profit on sale is still in the process of finalisation.

27. ULTIMATE CONTROLLING PARTY

At 28 September 2013 the company was a subsidiary of Gala Group Investments Limited, a company incorporated in the United Kingdom.

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 28 September 2013 the ultimate parent company of the Group was GCG Manager S.A Luxco S.C.A a "société en commandité par actions" established under the laws of Luxembourg.