

Company Registration No. 4395815

DANOPTRA LIMITED

Report and Financial Statements

30 September 2011



DANOPTRA LIMITED

REPORT AND FINANCIAL STATEMENTS 2011

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DANOPTRA LIMITED

REPORT AND FINANCIAL STATEMENTS 2011

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

K Hamill
J F Nicholls
R M Still

SECRETARY

R M Still

REGISTERED OFFICE

Potton House
Wyboston Lakes
Great North Road
WYBOSTON
Bedfordshire
MK44 3BA

BANKERS

Natwest Bank plc
Leeds City Office
8 Park Row
Leeds
LS1 5HD

SOLICITORS

Eversheds LLP
Bridgewater Place
Water Lane
Leeds
LS11 5DR

AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditor
1 City Square
Leeds
LS1 2AL

DANOPTRA LIMITED

DIRECTORS' REPORT

The directors present their annual report together with the audited financial statements for the year ended 30 September 2011

PRINCIPAL ACTIVITIES

The principal business of the Group during the year ended 30 September 2011 was leisure management

During July 2012 the Group sold substantially all of its trading activities, excluding one business which in the year ended 30 September 2011 had turnover of £0.1m. These transactions are described under the Subsequent Events and Going Concern section below

The Group's activities comprised

1. Gaming and amusement machine operation

This activity was conducted through

- Gamestec Leisure Limited ("Gamestec") which was the principal operator of gaming and amusement machines in the Group, and is the largest business in its market. At 30 September 2011, it provided operating services for about 23,000 machines. Gamestec also serviced nearly 6,000 pieces for owner-operated businesses. Its core market is the operation of gaming and amusement machines in UK Public Houses
- On Board Leisure Limited ("On Board Leisure") operates machines and casinos on ferries and cruise ships and provides services to UK armed forces in UK and international bases

The gaming and amusement machine operation division contributed £41.6m to the Group's turnover (2010 £51.4m)

2. Gaming and amusement machine design and assembly

This activity was conducted through

- Bell-Fruit Group Limited ("Bell-Fruit") which is a leading UK designer and manufacturer of gaming machines and has a significant market presence through its two key brands Bell-Fruit Games and QPS Interactive
- Mazooma Interactive Games Ltd ("Mazooma Interactive") which provides digital content to the internet gaming sector and works in partnership with a wide range of customers

The gaming and amusement machine design and assembly division contributed £15.7m (after removing intra-group sales) to the Group's turnover (2010 £15.9m)

3. Gaming and amusement machine distribution

This activity was conducted through RLMS Sales Limited ("RLMS Sales"). RLMS Sales is a leading distributor of new and used gaming and amusement machines to third party operators and sub-distributors

The gaming and amusement machine distribution division contributed £7.5m to the Group's turnover (2010 £11.1m)

4. Leisure facilities management

This activity was conducted through Leisure Connection Limited ("Leisure Connection"). Leisure Connection has established relationships with 22 local authorities, national bodies and private fitness clubs throughout the UK, and is contracted to provide management services to over 65 sites. Leisure Connection manage leisure and art facilities varying from fitness clubs, leisure centres, swimming pools, theatres and art centres, to arts and sports outreach services and programmes

The leisure facilities management division contributed £49.7m to the Group's turnover (2010 £54.8m)

DANOPTRA LIMITED

DIRECTORS' REPORT (continued)

REVIEW OF THE YEAR

Gaming and amusement machines

Both the machine operation and machine manufacture and distribution businesses operated in a sector where there was contraction in the size of the UK pub market and a continuing reduction in footfall levels in many of the remaining establishments. This led to significant commercial pressure and price competition in the market.

The manufacturing businesses also exported its products, particularly in Europe, which was also affected by economic downturn resulting in a fall in demand.

The businesses had ongoing cost management processes, which enabled them to broadly maintain margins with reduced turnover.

During the year a new company, Mazooma Interactive, was established to develop the opportunities in the digital market.

Leisure facilities management

Leisure Connection continued to focus on its important relationships with its partners in the local authorities and also entered into a number of contracts with hotel groups to manage their health and leisure clubs.

SUBSEQUENT EVENTS AND GOING CONCERN

1 On 17 July 2012

- The Group sold its 100% interest in share capital of Leisure Connection (Holdings) Limited, the immediate parent company of Leisure Connection to Horsforth Holdings Limited for a consideration of £4.9m satisfied by cash, in a transaction which also resulted in the settlement of intercompany balances amounting to £2.3m due to other companies in the Danoptra Limited Group. The transaction resulted in a profit on disposal of £Nil.
- The Group sold its 100% interest in the share capital of On Board Leisure Limited to Horsforth Holdings Limited for a consideration of £3.8m satisfied by cash, in a transaction which also resulted in the net settlement of intercompany balances of £1.5m due to other companies in the Danoptra Limited Group. The transaction resulted in a profit on disposal of £0.6m.
- The Group sold a freehold property to Horsforth Holdings Limited for a consideration of £0.8m satisfied by cash, which generated a profit on disposal of £0.2m.
- The Group repaid secured borrowings of £20.5m.

Horsforth Holdings Limited is wholly owned by funds associated with EOS Partners LP, which is the ultimate controlling party of the Group. The same funds are the lenders to the Group, as result of which they hold priority security over all of the assets of the Group against borrowings which amounted at 30 September 2011 to £102m. The Directors of Horsforth Holdings Limited are the same as the Directors of Danoptra Limited. Horsforth Holdings Limited was established to support the future development of Leisure Connection Limited and On Board Leisure Limited on a sound financial basis separated from the affairs of the Danoptra Group.

- 2 On 19 July 2012, the Group completed two contracts to sell, to a party which is not a related party, the trade and assets of four Group companies for a consideration of £19.0m, resulting in a profit on disposal of £7.9m. Under the contracts for the sale of these businesses the purchaser has undertaken to pay the liabilities of the four group companies, other than certain liabilities which are excluded under the contract, which are principally those for corporation tax, bank debts and financing sums, sums owed to group companies, obligations under defined benefit pension schemes, contracts outside the ordinary course of business, VAT on property transactions, sums owed arising from breach of contract duty attributable to neglect, omission or default and amounts relating to certain leases on properties not used in the business.**

The four group companies sold are Kunick (109) Limited (formerly Gamestec Leisure Limited), Kunick (106) Limited (formerly RLMS Sales Limited), Kunick (102) Limited (formerly Bell-Fruit Games Limited) and Kunick (105) Limited (formerly Mazooma Interactive Games Limited).

DANOPTRA LIMITED

DIRECTORS' REPORT (continued)

SUBSEQUENT EVENTS AND GOING CONCERN (continued)

- 3 In the previous financial statements, the directors reported that discussions were under way with the Group's lenders (who also have equity control of the group) for the renewal of the Group's facilities

One of the facilities which is part of the Group's borrowing agreement (called Facility B Term Loan) amounting to £28m was due for repayment in August 2011 and the revolving credit facility and rolled up interest on other facilities are effectively repayable on demand. Discussions with the lenders regarding refinancing of the facilities were deferred by the lender pending the possible sale of substantially all of the Group's trading activities.

The Group's borrowings are secured against all of the assets of the Group. The company and the Group are dependent upon support from their lenders. The lenders have not renewed their support in terms of facility renewal, covenant waivers and interest and capital payment deferrals.

Due to the uncertainties associated with the outcome of the funding review by the investors and the disposal of the majority of the trading and assets of the wider group, the directors have, in accordance with FRS18, prepared the accounts on the basis that the company and the Group are no longer a going concern. The directors believe there are no material adjustments required to the accounts to reflect the basis of preparation.

GROUP FINANCIAL PERFORMANCE AND POSITION

Trading Performance

Turnover reduced by 14.1% to £114.5m (2010: £133.3m) and gross profit reduced by 13.4% to £60.6m (2010: £69.9m). However, despite the £9.3m reduction in gross profit, cost reductions enabled the Group to report an underlying operating profit of £4.1m, a decrease of £1.0m compared to 2010. Underlying operating profit is calculated as the operating profit before amortisation of goodwill, exceptional items and other non-recurring costs.

The operating loss after amortisation of goodwill, exceptional items and other non-recurring costs was £1.8m (2010: £1.1m loss), a decrease of £0.7m.

Cash Performance

At 30 September 2011 the Group had cash in hand and at bank of £12.4m (2010: £14.6m). The key components of the cash flow in the year were:

- Net cash inflow from operations of £9.3m (2010: £16.1m). This decrease year on year is primarily as a result of a decrease in cash flows arising from movements in working capital.
- Investment in fixed assets of £10.6m (2010: £14.1m) to maintain the operational infrastructure.
- Disposal of certain fixed assets, predominantly amusement machines, generated a cash inflow of £2.6m (2010: £7.5m).
- £0.4m net cash outflow on interest payments (2010: £0.7m).
- Non-cash items included within operating activities and interest in 2011 totalled £26.7m (2010: £30.4m) in the form of rolled up interest on debt instruments of £8.9m (2010: £8.4m), depreciation of tangible fixed assets of £12.4m (2010: £17.0m), goodwill amortisation of £0.9m (2010: £1.1m), goodwill impairment of £3.2m (2010: £3.9m) and fixed asset impairments totalling £1.3m (2010: £nil).

Balance Sheet Date Position

The shareholders' deficit increased by £10.8m during the year ended 30 September 2011 as a result of the retained loss after tax for the year of £13.1m (2010: £13.2m), offset by gains relating to pension schemes amounting to £2.3m (2010: losses of £0.6m) taken directly to reserves.

Net debt increased from £81.8m to £89.7m mainly as a result of the rolled up interest in the period. Group stock, trade debtors and trade creditors all remain broadly in-line with 2010 levels.

DANOPTRA LIMITED

DIRECTORS' REPORT (continued)

DIVISIONAL FINANCIAL PERFORMANCE AND POSITION

1. Gaming and amusement machine operation

The market experienced a continued but slowing decline in pub numbers driven by general economic conditions and the detrimental impact this has had on consumers' disposable income, and significant price competition. Revenue from the machine operations business decreased by 19% compared to the previous year, to £41.6m (2010: £51.4m), with machine numbers reducing to 23,000 (2010: 25,000).

Despite the downturn in revenue, cost management allowed the business to better flex its cost base in line with turnover. This resulted in a contribution to profit before exceptional items of £2.9m compared to £3.4m in 2010.

The division incurred exceptional costs which contributed to the Group exceptionals of £1.3m (2010: £4.3m) relating to the impairment of property.

2. Gaming and amusement machine design and assembly

A reduction in sales from £28.0m to £24.7m reflected the continued although slowing decline in the UK pub market size and the difficulties in the export markets due to the economic conditions. However, the business still achieved a profit before exceptional items of £2.0m (2010: £1.9m) due to changes in customer mix and product mix and reflected changes to the cost base.

The division incurred exceptional costs which contributed to the Group exceptionals of £0.6m (2010: £nil) relating to restructuring costs.

3. Gaming and amusement machine distribution

Within the distribution business, sales decreased by 33% over the prior year to £7.5m (2010: £11.1m) reflecting the impact of a major account moving to Bell-Fruit as a "house" account and the continued market decline. The operating profit achieved correspondingly reduced to £0.3m from £0.9m in 2010.

4. Leisure facilities management

Sales from Leisure Connection decreased by 9% from £54.8m to £49.7m, principally due to the reduction in contracts during 2011 and the full year impact of contract losses in 2010. The number of contracts at the year end were 22 (2010: 23).

The profit before exceptional items and goodwill reduced by £0.6m in 2011, with profit before exceptional items of £1.0m (2010: £1.6m). This reflects a £0.2m charge for the Carbon Reduction Commitment (CRC) and the small reduction in contract base.

The company did not incur any exceptional items which contributed to the Group exceptionals.

EXCEPTIONAL ITEMS

During the year the Group incurred exceptional items of £5.1m (2010: £5.1m) in relation to goodwill impairments, fixed asset impairments and redundancies. A detailed analysis of exceptional items is included in Note 4.

RESULTS AND DIVIDENDS

The loss for the year before taxation was £12.8m (2010: £13.0m loss). The retained loss for the year after taxation was £13.1m (2010: £13.2m loss). The directors do not propose the payment of a dividend (2010: £nil).

FUTURE PROSPECTS

For the 9 months subsequent to the balance sheet date the Group continued to trade and performed broadly in line with the Directors' expectations. As referred to under the Subsequent Events and Going Concern section above, in July 2012 the Group disposed of substantially all of its trading activities and hence the majority of the Group's activities have ceased to trade.

DANOPTRA LIMITED

DIRECTORS' REPORT (continued)

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties of the Group, prior to the disposal of substantially all of the Group's trading activities, were contracting core markets in the gaming machine and pub sector, competitive pressures, changes in government funding potentially affecting local authority health and fitness activities, changes in the taxation of gaming machines, volatility in energy costs and interest rate risks

TREASURY

The Group's treasury operated procedures designed to reduce or eliminate financial risk. The policies were approved by the Board and the use of financial instruments was strictly controlled.

The Group's principal financial instruments comprise borrowings, cash, and various items, such as trade debtors and trade creditors that arise directly from its operations. Borrowings comprise both fixed and floating rate debt therefore the Group was exposed to interest rate risk.

The Group did not use forward foreign currency contracts to manage the currency rate risks arising from the Group's operations.

RESEARCH AND DEVELOPMENT

During the year the Group continued to invest in research and development.

SUPPLIER PAYMENT POLICY

During the year it was the Group's policy to agree terms of payment with its suppliers when agreeing the terms of a business transaction or transactions. Suppliers were aware of this procedure and the Group sought to abide by the agreed payment terms subject to the terms and conditions being met by the supplier. For the year to 30 September 2011 the average payment term applied across the Group is 73 days (2010 64 days) and in the company is 30 days (2010 30 days).

EMPLOYMENT POLICY AND PARTICIPATION

During the year all employees had equal opportunities for training and career development. The sole criterion for selection and promotion is the individual's suitability for the position of employment offered. The Group supported the employment of disabled persons wherever appropriate. Arrangements were made, where possible, for retraining employees who became disabled to enable them to perform work identified as appropriate to their abilities.

DIRECTORS

The directors who served in the year and up to the date of this report were

D T Lloyd	(resigned 18 March 2011)
J F Nicholls	(appointed 7 February 2011)
P A Meehan	(resigned 29 October 2010)
K Hamill	
R M Still	(appointed 29 October 2010)

DANOPTRA LIMITED

DIRECTORS' REPORT (continued)

AUDITOR

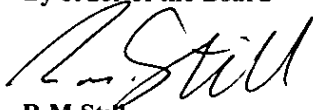
In the case of each of the persons who are directors of the company at the date when this report was approved

- so far as each of the directors is aware, there is no relevant audit information of which the company's auditor is unaware, and
- each of the directors has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information (as defined) and to establish that the company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting

By order of the Board



R M Still

Director

17 August 2012

DANOPTRA LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

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

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

- select suitable accounting policies and then apply them consistently,
- make judgments 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 group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DANOPTRA LIMITED

We have audited the financial statements of Danoptra Limited for the year ended 30 September 2011 which comprise the Group Profit and Loss Account, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses and the related notes 1 to 28. 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).

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, 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent 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 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 group's and the parent company's affairs as at 30 September 2011 and of the group's 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.

Emphasis of matter – financial statements prepared other than on a going concern basis

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements, which explains that the financial statements have been prepared on a basis other than that of a going concern.

Opinion on other matter prescribed by the Companies Act 2006

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DANOPTRA LIMITED (CONTINUED)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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



David Johnson BA FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Leeds, UK
21 August 2012

DANOPTRA LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 30 September 2011

	Notes	Pre-goodwill amortisation and exceptional items 2011 £'000	Goodwill amortisation and exceptional items 2011 £'000	Total 2011 £'000	Pre-goodwill amortisation and exceptional items 2010 £'000	Goodwill amortisation and exceptional items 2010 £'000	Total 2010 £'000
Turnover	3	114,497	-	114,497	133,296	-	133,296
Cost of sales		(53,930)	-	(53,930)	(63,337)	-	(63,337)
Gross profit		60,567	-	60,567	69,959	-	69,959
Administrative expenses excluding goodwill amortisation	4	(56,423)	(5,083)	(61,506)	(64,825)	(5,082)	(69,907)
Goodwill amortisation	11	-	(857)	(857)	-	(1,131)	(1,131)
Other operating expenses		(6)	-	(6)	(14)	-	(14)
Total operating expenditure		(56,429)	(5,940)	(62,369)	(64,839)	(6,213)	(71,052)
Operating profit/(loss)		4,138	(5,940)	(1,802)	5,120	(6,213)	(1,093)
Finance charges (net)	7	(11,047)	-	(11,047)	(11,934)	-	(11,934)
Loss on ordinary activities before taxation	8	(6,909)	(5,940)	(12,849)	(6,814)	(6,213)	(13,027)
Tax on loss on ordinary activities	9	(277)	-	(277)	(154)	-	(154)
Loss for the year	23	(7,186)	(5,940)	(13,126)	(6,968)	(6,213)	(13,181)

All of the above results were derived from continuing operations

The notes to these financial statements are an integral part of the profit and loss account

DANOPTRA LIMITED

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES Year ended 30 September 2011

	Note	2011 £'000	2010 £'000
Loss attributable to shareholders		(13,126)	(13,181)
Exchange differences offset in reserves		-	85
Actuarial gain/(loss) recognised in the pension schemes	20	3,142	(923)
Movement on deferred tax relating to actuarial loss	20	(785)	258
Total recognised gains and losses for the year	22	(10,769)	(13,761)

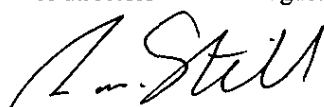
The notes to these financial statements are an integral part of the statement of total recognised gains and losses

DANOPTRA LIMITED**CONSOLIDATED BALANCE SHEET****At 30 September 2011**

	Note	2011 £'000	2010 £'000
FIXED ASSETS			
Intangible assets - goodwill	11	7,301	11,400
Tangible assets	12	19,196	24,195
		26,497	35,595
CURRENT ASSETS			
Assets held for resale	14	270	270
Stocks	15	2,986	2,868
Debtors	16	15,257	13,076
Cash at bank and in hand		12,397	14,634
		30,910	30,848
TOTAL ASSETS		57,407	66,443
LIABILITIES, EQUITY AND RESERVES			
Called up share capital	21	-	-
Share premium account	22	136,134	136,134
Profit and loss account	22	(232,908)	(222,146)
SHAREHOLDERS' DEFICIT	23	(96,774)	(86,012)
Creditors – amounts falling due within one year	17	139,242	78,401
Creditors – amounts falling due in more than one year	18	-	56,335
Provisions for liabilities	19	7,180	7,827
TOTAL LIABILITIES EXCLUDING PENSION DEFICIT		49,648	56,551
Pension deficit (net of deferred tax)	20	7,759	9,892
TOTAL LIABILITIES		57,407	66,443

The notes to these financial statements form an integral part of the balance sheet

The financial statements of Danoptra Limited (company registration number 4395815) were approved by the board of directors on 7 August 2012 and were signed on its behalf by



R M Still

Director

DANOPTRA LIMITED

COMPANY BALANCE SHEET

At 30 September 2011

	Note	2011 £'000	2010 £'000
FIXED ASSETS			
Tangible Assets	12	3	-
Investments in subsidiary undertakings	13	10,002	15,410
		10,005	15,410
CURRENT ASSETS			
Debtors – amounts falling due within one year	16	8,231	20,698
Cash at bank and in hand		-	11,486
		8,231	32,184
TOTAL ASSETS		18,236	47,594
LIABILITIES, EQUITY AND RESERVES			
Called up share capital	21	-	-
Share premium account	22	136,134	136,134
Profit and loss account	22	(245,310)	(209,851)
SHAREHOLDERS' DEFICIT	23	(109,176)	(73,717)
Creditors – amounts falling due within one year	17	127,412	65,120
Creditors – amounts falling due in more than one year	18	-	56,191
TOTAL LIABILITIES		18,236	47,594

The notes to these financial statements form an integral part of the balance sheet

The financial statements of Danoptra Limited (company registration number 4395815) were approved by the board of directors on 17 August 2012 and were signed on its behalf by



R M Still

Director

DANOPTRA LIMITED**CONSOLIDATED CASH FLOW STATEMENT**
Year ended 30 September 2011

	Note	2011 £'000	2010 £'000
Net cash inflow from operating activities	24	9,346	16,108
Returns on investment and servicing of finance			
Interest received		63	84
Interest paid		(442)	(739)
Net cash outflow from returns on investment and servicing of finance		(379)	(655)
Taxation			
Corporation tax paid		-	(55)
Tax paid		-	(55)
Capital expenditure			
Purchase of tangible fixed assets		(10,561)	(14,060)
Sale of tangible fixed assets		2,590	7,489
Net cash outflow from capital expenditure		(7,971)	(6,571)
Net cash inflow before financing		996	8,827
Financing			
Net repayment of RCF facility		(2,864)	(2,520)
Capital element of finance lease rental		(369)	(985)
Net cash outflow from financing		(3,233)	(3,505)
(Decrease)/increase in cash in the period	25	(2,237)	5,322

DANOPTRA LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 September 2011

1. SUBSEQUENT EVENTS AND GOING CONCERN

a) On 17 July 2012

The Group sold its 100% interest in share capital of Leisure Connection (Holdings) Limited, the immediate parent company of Leisure Connection to Horsforth Holdings Limited for a consideration of £4.9m satisfied by cash, in a transaction which also resulted in the settlement of intercompany balances amounting to £2.3m due to other companies in the Danoptra Limited Group. The transaction resulted in a profit on disposal of £Nil.

The Group sold its 100% interest in the share capital of On Board Leisure Limited to Horsforth Holdings Limited for a consideration of £3.8m satisfied by cash, in a transaction which also resulted in the net settlement of intercompany balances of £1.5m due to other companies in the Danoptra Limited Group. The transaction resulted in a profit on disposal of £0.6m.

The Group sold a freehold property to Horsforth Holdings Limited for a consideration of £0.8m satisfied by cash, which generated a profit on disposal of £0.2m.

The Group repaid secured borrowings of £20.5m.

Horsforth Holdings Limited is wholly owned by funds associated with EOS Partners LP, which is the ultimate controlling party of the Group. The same funds are the lenders to the Group, as a result of which they hold priority security over all of the assets of the Group against borrowings which amounted at 30 September 2011 to £102m. The Directors of Horsforth Holdings Limited are the same as the Directors of Danoptra Limited. Horsforth Holdings Limited was established to support the future development of Leisure Connection Limited and On Board Leisure Limited on a sound financial basis separated from the affairs of the Danoptra Group.

b) On 19 July 2012, the Group completed two contracts to sell, to a party which is not a related party, the trade and assets of four Group companies for a consideration of £19.0m, resulting in a profit on disposal of £7.9m. Under the contracts for the sale of these businesses the purchaser has undertaken to pay the liabilities of the four group companies, other than certain liabilities which are excluded under the contract, which are principally those for corporation tax, bank debts and financing sums, sums owed to group companies, obligations under defined benefit pension schemes, contracts outside the ordinary course of business, VAT on property transactions, sums owed arising from breach of contract duty attributable to neglect, omission or default and amounts relating to certain leases on properties not used in the business.

The four group companies sold are Kunick (109) Limited (formerly Gamestec Leisure Limited), Kunick (106) Limited (formerly RLMS Sales Limited), Kunick (102) Limited (formerly Bell-Fruit Games Limited) and Kunick (105) Limited (formerly Mazooma Interactive Games Limited).

c) In the previous financial statements, the directors reported that discussions were under way with the Group's lenders (who also have equity control of the group) for the renewal of the Group's facilities.

One of the facilities which is part of the Group's borrowing agreement (called Facility B Term Loan) amounting to £28m was due for repayment in August 2011 and the revolving credit facility and rolled up interest on other facilities are effectively repayable on demand. Discussions with the lenders regarding refinancing of the facilities were deferred by the lender pending the possible sale of substantially all of the Group's trading activities.

The Group's borrowings are secured against all of the assets of the Group. The company and the Group are dependent upon support from their lenders. The lenders have not renewed their support in terms of facility renewal, covenant waivers and interest and capital payment deferrals.

Due to the uncertainties associated with the outcome of the funding review by the investors and the disposal of the majority of the trading and assets of the wider group, the directors have, in accordance with FRS18, prepared the accounts on the basis that the company and the Group are no longer a going concern. The directors believe there are no material adjustments required to the accounts to reflect the basis of preparation.

DANOPTRA LIMITED

NOTES TO THE FINANCIAL STATEMENTS **Year ended 30 September 2011**

2. ACCOUNTING POLICIES

Basis of accounting

These financial statements have been prepared under the historical cost convention, and in accordance with United Kingdom Law and applicable UK Accounting Standards

A summary of the more important Group accounting policies, which have been applied consistently throughout the year and the preceding year, is set out below

Basis of consolidation

The Group's financial statements are the result of the consolidation of the financial statements of the company and all of its subsidiaries and also include the Group's share of the results of joint ventures. The Group's year end is stated as 30 September in each year. Some Group subsidiary undertakings make up annual accounts to the Saturday and Sunday nearest to 30 September which, for this year, is Saturday 1 October 2011 and Sunday 2 October 2011. The results of subsidiaries and businesses sold or acquired are included in the consolidated profit and loss account up to, or from, the date control passes.

Joint ventures

In the Group financial statements, investments in joint ventures are accounted for using the gross equity method.

The Group's share of profits less losses of joint ventures is included in the consolidated profit and loss account and the Group's share of net assets is included in the consolidated balance sheet. Amounts in respect of joint ventures are taken from the financial statements or management accounts of the undertakings concerned, prepared up to the Group's accounting reference date.

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which does not exceed twenty years. Provision is made for any impairment.

Negative goodwill is similarly included on the balance sheet and is credited to the profit and loss account in the periods in which the acquired non-monetary assets are recovered through depreciation or sale. Negative goodwill in excess of the non-monetary assets acquired is credited to the profit and loss account in the periods expected to benefit.

Tangible fixed assets

Tangible fixed assets are stated at cost, or at fair value in respect of businesses acquired, net of depreciation and any provision for impairment.

Freehold properties are shown at cost or at fair value on acquisition and are being depreciated by equal instalments over 50 years. Improvements to short leasehold properties are written off over the period of the lease or in the case of expenditure on operating facilities belonging to third parties over the term of the related management contract. However, where the directors believe that permanent diminution in the value of any operating property has occurred, an additional depreciation provision is made to reduce such property to the directors' estimate of its recoverable amount.

The basis of depreciation of amusement machines is that they are written off over between one and eight years at rates which diminish to reflect the revenue earning capacity of the machines.

The cost of fixtures, equipment and motor vehicles is depreciated by equal annual instalments over the lives of the assets, which are estimated at between four and twenty years.

Research and development

Expenditure on research and development is charged to the profit and loss account in the year in which it is incurred.

DANOPTRA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2011

2. ACCOUNTING POLICIES (continued)

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

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. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements

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

Finance and operating leases

Assets held under finance leases are capitalised and the capital element of the lease commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligation and the interest element is charged against profit in proportion to the reducing capital element outstanding. The rental costs in respect of operating leases are charged to the profit and loss account in the periods to which they relate

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes the purchase cost of direct materials and labour plus attributable overheads based on a normal level of activity. Provision is made for obsolete, slow moving or defective items where appropriate

Turnover

Turnover represents the total amount, exclusive of value added tax, receivable by the Group for goods and services sold to third parties

Revenue from amusement machines is generally determined from recorded collections or invoices to third parties, but at the end of each accounting period an adjustment is made to account for it on an accruals basis by estimating the Group's share of uncollected takings. Where the takings from amusement machines are shared with third parties, only the Group's share of the takings is regarded as revenue and included in turnover. Advance payments of turnover discounts made in return for long-term contracts are deferred and included in prepayments and written off over the life of the contract

Revenue from amusement machine sales is recognised on delivery

Gaming content revenue is determined based upon the company's share of income generated from gaming software developed by the company and operated by third parties. Digital content revenue is determined on a one off sale basis

Management fees received from leisure facility clients are recognised as turnover over the period to which they relate. Any management fees received and not recognised as income are included within accruals and deferred income. Advance ticket sales, course fees, upfront fixed term gym membership fees and 30 day gym cancellation fees received by the Group are released to income in the year in which the related event takes place or to which the membership relates

DANOPTRA LIMITED

NOTES TO THE FINANCIAL STATEMENTS **Year ended 30 September 2011**

2 ACCOUNTING POLICIES (continued)

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate.

Pension costs

For defined benefit schemes the amounts charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other assets and liabilities on the face of the balance sheet.

Pension costs (continued)

For defined contribution schemes, the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contribution payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Surplus leasehold properties

Provision has been established on a property by property basis to meet the estimated liabilities of all leasehold properties surplus to the requirements of the business. Provisions are estimated on the basis of the likely sub-letting or assignment prospects for the properties. All ongoing costs, net of revenues, are charged to the provision.

Insurance Provision

Provision has been established to meet the estimated liability of the excess payable by the group on all known insurance claims.

Finance costs

Finance costs of debt, non-equity shares and non-equity minority interests are recognised in the profit and loss account over the term of such instruments, at a constant rate on the carrying amount. Where the finance costs for non-equity shares and non-equity minority interests are not equal to the dividends on these instruments, the difference is also accounted for in the profit and loss account as an appropriation of profits.

Investments

Investments are shown at cost less provision for impairment.

DANOPTRA LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 September 2011

3. SEGMENTAL ANALYSIS

Classes of business:	Amusement machines		Leisure facilities management		Group	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Turnover	64,823	78,466	49,674	54,830	114,497	133,296
Segment profit/(loss)	5,104	6,221	1,142	1,751	6,246	7,972
Exceptional items*	(1,843)	(818)	-	(491)	(1,843)	(1,309)
	(3,265)	5,403	1,142	1,260	4,403	6,663
Common costs					(6,205)	(7,756)
Operating loss					(1,802)	(1,093)
Finance charges (net)					(11,047)	(11,934)
Loss on ordinary activities before taxation					(12,849)	(13,027)

* Exceptional items as reported by trading subsidiary companies

Segment net assets/(liabilities) (all UK)	3,660	2,424	(4,359)	(3,875)	(699)	(1,451)
Goodwill					7,301	11,400
Net borrowings					(89,719)	(81,817)
Unallocated net liabilities					(13,657)	(14,144)
Net liabilities					(96,774)	(86,012)

Geographical area by destination:	UK		Europe		Rest of World		Group	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Turnover	108,243	124,239	5,739	8,601	515	456	114,497	133,296
Segment profit	5,403	6,977	768	883	75	112	6,246	7,972
Exceptional items*	(1,843)	(1,309)	-	-	-	-	(1,843)	(1,309)
	3,560	5,668	768	883	75	112	4,403	6,663
Common costs							(6,205)	(7,756)
Operating loss							(1,802)	(1,093)
Finance charges (net)							(11,047)	(11,934)
Loss on ordinary activities before taxation							(12,849)	(13,027)

* Exceptional items as reported by trading subsidiary companies

Common costs in both the class of business and geographical area analysis presented above consist of Group head office costs, exceptional and non-recurring items, goodwill amortisation and impairment

DANOPTRA LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 September 2011

4. EXCEPTIONAL ITEMS AND NON-RECURRING COSTS

The following exceptional items and non-recurring costs were included within operating profit

	2011 £'000	2010 £'000
Exceptional items		
Impairment of intangible fixed assets (see note 11)	(3,242)	(3,898)
Reorganisation costs French business	84	389
Financial and operational restructuring costs	(595)	(1,082)
Contract closure costs	-	(491)
Impairment of property	(1,330)	-
	(5,083)	(5,082)

Goodwill has been impaired by £3.2m (2010: £3.9m) to recoverable value based upon the transaction proceeds from the disposal of the businesses since the balance sheet date.

The excess provision for closure costs of the French business has been released following final settlement of the legal claim.

The financial and operational restructuring costs are primarily redundancies.

Contract closure costs relate to the closure of a contract in the leisure facilities management business.

The fixed asset impairment relates to freehold property which is actively being marketed for sale.

The majority of the exceptional items above are disallowable for corporation tax.

DANOPTRA LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 September 2011

5. DIRECTORS REMUNERATION

	2011 £'000	2010 £'000
Emoluments (including salaries, benefits in kind and pension contributions)	791	967

No retirement benefits are accruing to any of the directors (2010 none) under defined benefit schemes

Included in directors emoluments figure above are pension contributions of £13,000 (2010 £18,000)

	2011 £'000	2010 £'000
Highest paid director		
Salary payments (including benefits in kind)	401	534

No pension contributions were paid to the highest paid director (2010 £Nil)

6. STAFF COSTS

The average monthly number of employees (including executive directors) was

Group	2011 Number	2010 Number
Amusement machines	753	909
Leisure facilities management	1,496	1,544
Administration	282	300
	2,531	2,753

Their aggregate remuneration comprised

	2011 £'000	2010 £'000
Wages and salaries	43,731	48,961
Social security costs	3,345	3,668
Other pension costs		
- defined benefit	273	298
- defined contribution	1,164	1,120
	48,513	54,047

DANOPTRA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2011

7. FINANCE CHARGES (NET)

	2011 £'000	2010 £'000
Interest received on deposits	63	84
Interest payable		
On bank overdrafts and other loans repayable within 5 years	(9,889)	(9,990)
On finance leases	(54)	(138)
Unwinding of discount on onerous contract and property provisions	(444)	(1,073)
Other finance charges on pension scheme liabilities (see note 20)	(723)	(817)
	(11,047)	(11,934)

8. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2011 £'000	2010 £'000
Loss before taxation is stated after charging/(crediting)		
Depreciation of tangible fixed assets		
- owned	12,365	16,827
- held under finance leases and hire purchase contracts	54	141
Research and development – current year expenditure	3,112	3,204
Amortisation of goodwill	857	1,131
Profit on disposal of fixed assets	(779)	(1,475)
Operating lease rentals		
- plant and machinery	2,525	2,566
- land and buildings	1,023	828
Exceptional items (note 4)	5,083	5,082

The analysis of auditor remuneration is as follows

Fees payable to the company's auditor for the audit of the company's annual accounts	45	30
The audit of the company's subsidiaries pursuant to legislation	110	150
Total audit fees	155	180

Non audit services

Tax compliance services	67	49
Tax advisory services	62	186
Other tax services	92	52
Reorganisation services	-	90
Other services	-	5
Total non-audit fees	221	382

DANOPTRA LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 September 2011

9 TAX ON LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2011 £'000	2010 £'000
The tax charged based on the results for the year comprises		
United Kingdom corporation tax at 27% (2010 28%)		
- current tax	-	-
- adjustment in respect of prior years	-	55
Total current tax	-	55
Deferred tax		
- current tax	351	55
- adjustment in respect of prior years	(74)	44
Total deferred tax	277	99
Total tax charge on loss on ordinary activities	277	154

The factors affecting the current tax charge for the year are explained below

	2011 £'000	2010 £'000
Group loss on ordinary activities before tax	(12,849)	(13,027)
Tax on ordinary activities at UK Corporation tax rate of 27% (2010 28%)	(3,469)	(3,648)
Effects of		
Expenses not deductible	8,282	7,797
Income not taxable for tax purposes	(25)	(992)
Capital allowances in excess of depreciation	(2,641)	(6,238)
Movement in short term timing differences	(11)	(52)
Utilisation of tax losses	(3,112)	1,877
Contract depreciation	(130)	(153)
Goodwill amortisation	231	317
Goodwill impairment	875	1,092
Adjustment in respect of prior years	-	55
Current tax charge for the year	-	55

The tax charge in future periods may be affected by the following

The group currently has unrecognised deferred tax assets of £21,560,000 (2010 £28,501,000) and surplus advance corporation tax of approximately £7,500,000 (2010 £7,500,000), which has been written off up to 30 September 2011. Any utilisation of these deferred tax assets and advance corporation tax against future tax liabilities will give rise to a reduced tax charge in future periods.

In March 2012, the Government announced a further reduction of the rate of corporation tax, reducing it to 24% with effect from 1 April 2012 and then by a further 1% each year to 22% by 1 April 2014. As this legislation was not substantively enacted by 30 September 2011, the impact of the anticipated rate change is not reflected in the tax provisions reported in these accounts. If the deferred tax assets and liabilities of the company were all to reverse after 1 April 2014, the effect of the changes from 25% to 22% would be to reduce the net deferred tax asset by £335k. To the extent that the deferred tax reverses more quickly than this the impact on the net deferred tax asset will be reduced.

DANOPTRA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2011

10 LOSS ATTRIBUTABLE TO THE COMPANY

The loss for the financial year dealt with in the financial statements of the parent company was £35,459,000 (2010 £28,259,000) As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account is presented in respect of the parent company

11. INTANGIBLE FIXED ASSETS - GOODWILL

Group	Positive goodwill £'000	Negative goodwill £'000	Total £'000
Cost			
At 1 October 2010 and 30 September 2011	101,633	(1,131)	100,502
Amortisation			
At 1 October 2010	90,233	(1,131)	89,102
Charge for the year	857	-	857
Impairment	3,242	-	3,242
At 30 September 2011	94,332	(1,131)	93,201
Net book value			
At 30 September 2011	7,301	-	7,301
At 30 September 2010	11,400	-	11,400

At 30 September 2011, the Group had goodwill of £9.3m in relation to the Bell-Fruit business and £1.2m in relation to Leisure Connection. The carrying value of this goodwill has been reviewed by the directors and based upon the transaction proceeds from the disposals of the businesses since the year end, the Board has concluded that it would be appropriate to recognise a further impairment of £1.2m of Leisure Connection business and £2.0m of Bell-Fruit business reducing the carrying value of goodwill at the balance sheet date to £7.3m (2010 £11.4m).

Negative goodwill has been written back to the profit and loss account in the periods in which the acquired non-monetary assets are recovered through depreciation or sale. Negative goodwill in excess of the non-monetary assets acquired is credited to the profit and loss account in the periods expected to benefit.

DANOPTRA LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 September 2011

12. TANGIBLE FIXED ASSETS

Group	Operating properties £'000	Amusement machines £'000	Fixtures, equipment and motor vehicles £'000	Total £'000
Cost				
At 1 October 2010	25,318	63,035	18,236	106,589
Additions	191	8,773	1,597	10,561
Disposals	(1,589)	(13,154)	(2,041)	(16,784)
At 30 September 2011	23,920	58,654	17,792	100,366
Depreciation				
At 1 October 2010	15,287	52,414	14,693	82,394
Charge for the year	1,459	9,230	1,730	12,419
Impairment	1,276	-	54	1,330
Disposals	(1,393)	(11,833)	(1,747)	(14,973)
At 30 September 2011	16,629	49,811	14,730	81,170
Net book value				
At 30 September 2011	7,291	8,843	3,062	19,196
At 30 September 2010	10,031	10,621	3,543	24,195

The fixed asset impairment relates to freehold property site which is actively being marketed for sale. The directors' have reviewed the carrying value of the asset based upon its expected recoverable value and concluded that the value is no longer fully supportable.

Analysis of operating properties:	Freehold properties £'000	Improvements to short leasehold properties £'000	Total £'000
Net book value			
At 30 September 2011	1,911	5,380	7,291
At 30 September 2010	3,264	6,767	10,031

Leased assets	Fixtures, equipment and motor vehicles £'000
Net book value	
At 30 September 2011	106
At 30 September 2010	416

DANOPTRA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2011

12 TANGIBLE FIXED ASSETS (continued)

	Fixtures and equipment £'000
Company	
Cost	
At 1 October 2010	-
Additions	4
At 30 September 2011	4
Depreciation	
At 1 October 2010	-
Charge for the year	1
At 30 September 2011	-
Net book value	
At 30 September 2011	3
At 30 September 2010	-

13. FIXED ASSET INVESTMENTS

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Subsidiary undertakings	-	-	10,002	15,410

	Investment in subsidiary undertakings £'000
Company	
Cost	
At 1 October 2010 and 30 September 2011	106,203
Amounts provided	
At 1 October 2010	90,793
Provision	5,408
At 30 September 2011	96,201
Net book value	
At 30 September 2011	10,002
At 30 September 2010	15,410

In the year ended 30 September 2011, the Directors considered the carrying value of investments in subsidiaries and recorded an impairment of £5,408,000 (2010 £15,183,000). The Directors reviewed the net assets of the subsidiaries and concluded that it would be appropriate to recognise an impairment charge to write down the investments to the expected recoverable amount.

DANOPTRA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2011

13. FIXED ASSET INVESTMENTS (continued)

The parent company and the group have investments in the following material subsidiary undertakings

Interests in subsidiary undertakings	Activity	Description of shares	% Holding	Country of incorporation
<i>Held directly by Danoptra Limited</i>				
Kunick Limited	Holding company	Ordinary	100	England
Precis (928) Limited	Holding company	Ordinary	100	England
Kunick (106) Limited (formerly RLMS Sales Limited)	Amusement machines distribution	Ordinary	100	England
Kunick (105) Limited (formerly Mazooma Interactive Games Limited)	Software consultancy and supply	Ordinary	100	England
<i>Held through Kunick Limited</i>				
Kunick (109) Limited (formerly Gamestec Leisure Limited)	Amusement machines	Ordinary	100	England
Harrogate Estates Limited	Residential properties	Ordinary	100	England
Leisure Connection (Holdings) Limited	Holding company	Ordinary	100	England
OBL (UK) Limited	Amusement machines	Ordinary	100	England
MHG Leisure Limited	Asset leasing	Ordinary	100	England
On Board Leisure Limited	Amusement machines	Ordinary	100	Isle of Man
Three Services Automatics (IOM) Limited	Amusement machines	Ordinary	100	Isle of Man
Leisure Connection Limited	Leisure facilities management	Ordinary	100	England
<i>Held through Precis (928) Limited</i>				
Kunick (101) Limited (formerly Bell-Fruit Group Limited)	Holding company	Ordinary	100	England
Kunick (103) Limited (formerly Mazooma Games Limited)	Amusement machines	Ordinary	100	England
Kunick (102) Limited (formerly Bell-Fruit Games Limited)	Amusement machines	Ordinary	100	England
<i>Held through RLMS Sales Limited</i>				
Kunick (107) Limited (formerly RLMS Acquisitions Limited)	Amusement machines	Ordinary	100	England

The companies listed above include all subsidiary undertakings whose financial position materially affects that of the Group. A complete list of subsidiary undertakings will be annexed to the next annual return to the Registrar of Companies.

On 17 July 2012 the Group sold its 100% interest in the ordinary share capital of

- Leisure Connection (Holdings) Limited for a consideration of £4.9m satisfied by cash. The sale of the subsidiary generated a profit on disposal of £Nil.
- On Board Leisure Limited for a consideration of £3.8m satisfied by cash. The sale of the subsidiary generated a profit on disposal of £0.6m.

Group	Other investments £'000
At 1 October 2010 and 30 September 2011	-

The Group has a 49% shareholding in Allied Kunick Entertainments Limited. The investment is immaterial to the group therefore in accordance with FRS 9 no further information is provided in relation to this investment.

DANOPTRA LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 September 2011

14. ASSETS HELD FOR RESALE

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Properties	270	270	-	-

15. STOCKS

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Consumables and raw materials	900	1,059	-	-
Goods for resale	2,086	1,809	-	-
	2,986	2,868	-	-

There is no material difference between the balance sheet value of stocks and their replacement cost

16. DEBTORS

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Trade debtors	8,228	7,514	-	-
Amounts owed by subsidiary undertakings	-	-	6,439	20,694
Deferred tax	201	193	-	-
Prepayments and accrued income	3,848	4,046	11	4
Other debtors	2,980	1,323	1,781	-
	15,257	13,076	8,231	20,698

The deferred tax asset in these financial statements comprises

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Accelerated capital allowances (net)	201	193	-	-
	201	193	-	-

Movement in deferred taxation

At 1 October	193	248	-	-
Credit/(Charge)	8	(55)	-	-
At 30 September	201	193	-	-

Deferred tax liabilities are fully offset by deferred tax assets in these financial statements. There are unprovided deferred tax assets of £21,181,000 (2010: £28,501,000) in relation to accelerated capital allowances, taxation losses and other timing differences which have not been recognised as the recoverability of these depends on a number of factors including future profit generation against which these assets can be offset.

DANOPTRA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2011

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Bank loans and overdrafts (secured)	101,981	39,756	107,217	39,756
Obligations under finance leases and hire purchase contracts	135	360	-	-
Trade creditors	10,160	11,687	805	705
Amounts owed to subsidiary undertakings	-	-	11,455	17,649
Other taxation and social security	3,631	3,723	-	-
Other creditors	1,941	2,303	589	267
Accruals and deferred income	21,394	20,572	7,346	6,743
	139,242	78,401	127,412	65,120

Obligations under finance leases and hire purchase contracts are secured against the assets attaching to the lease

18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Bank loans (secured)	-	56,191	-	56,191
Obligations under finance leases and hire purchase contracts	-	144	-	-
	-	56,335	-	56,191

Details of bank loans and overdrafts are as follows

	Term of debt	Interest rate	2011	2010
			£'000	£'000
Preferred facility	19 August 2012	12 5% fixed Libor + 3 5% for first six months	-	56,191
Amounts falling due after more than one year			-	56,191
Preferred facility	19 August 2012	12 5% fixed Libor + 3 5% for first six months	63,258	-
Facility B term loan	19 August 2012	Libor + 4 5%	29,608	28,225
Revolving Credit Facility A loan	On demand	Libor + various margin rates	9,115	8,667
Revolving Credit Facility B loan	On demand	20 0% fixed	-	2,864
Bank overdraft	On demand	-	5,236	-
Amounts falling due within one year			107,217	39,756
			107,217	95,947

Bank loans and overdrafts are secured by fixed and floating charges over all the property and assets of the company and the principle subsidiary undertakings

DANOPTRA LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 September 2011

18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Debt is repayable as follows				
Bank loans and overdrafts				
Between one and two years	-	84,416	-	84,416
	-	84,416	-	84,416
On demand or within one year	101,981	11,531	107,217	11,531
	101,981	95,947	107,217	95,947
Finance leases				
Between one and two years	-	144	-	-
	-	144	-	-
On demand or within one year	135	360	-	-
	135	504	-	-
Total debt including finance leases				
Between one and two years	-	84,560	-	84,416
	-	84,560	-	84,416
On demand or within one year	102,116	11,891	107,217	11,531
	102,116	96,451	107,217	95,947

At 30 September 2011, the company was a signatory to unlimited multilateral guarantees to secure the borrowings of certain other group companies which amounted to £101,980,000 (2010 £97,750,000). As of 7 August 2012, the gross contingent liability under the guarantee was approximately £111,420,000.

DANOPTRA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2011

19. PROVISIONS FOR LIABILITIES

Group	French business £'000	Insurance £'000	Vacant property provision £'000	Total £'000
At 1 October 2010	217	824	6,786	7,827
Utilised in the year	(4)	(212)	(1,032)	(1,248)
Released in the year	(84)	-	-	(84)
Additional provision	-	241	-	241
Unwinding of discount	-	-	444	444
At 30 September 2011	129	853	6,198	7,180

The provision for French business is to cover likely costs to wind up the business following settlement of the legal claim. The majority of the provision is expected to be utilised in the next two years. The carrying value of this provision has been reviewed by the directors and based upon the Group's anticipated future costs in the foreseeable future, the Board has concluded that it would be appropriate to release £0.1m, reducing the carrying value of the provision to £0.1m.

The insurance provision is to cover the estimated liabilities of unsettled insurance claims, subject to excess charges. It is expected that the provision will be fully utilised within five years.

The vacant property provision represents future vacant property and onerous lease costs. Provision has been made for the anticipated cost of residual lease commitments, together with other outgoings. The maturity profile of the provision is as follows:

Group	2011 £'000	2010 £'000
Within one year	6,198	1,790
Between one and two years	-	818
Between two and five years	-	2,103
More than five years	-	2,075
	6,198	6,786

The company did not have any provisions in the current or preceding year.

Due to the accounts being prepared on the basis that the group is no longer a going concern as disclosed in Note 1, the total liability has been disclosed as all due within one year.

If the accounts had been prepared as a going concern then the total liability would have been disclosed as follows:

Group	2011 £'000	2010 £'000
Within one year	2,216	1,790
Between one and two years	1,384	818
Between two and five years	1,458	2,103
More than five years	1,140	2,075
	6,198	6,786

DANOPTRA LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 September 2011

20. PENSION LIABILITIES

Group

The Board continues to fully implement the requirements of FRS17 in these financial statements. Under FRS17, the assets of the four defined benefit schemes in the UK are included at market value at 30 September 2011 and this is compared to the present value of the scheme liabilities.

Full actuarial valuations have been carried out at dates between 1 April 2009 and 1 January 2010 and adjusted to 30 September 2011 by qualified independent actuaries. The contributions made to the schemes by sponsoring companies in the accounting period were £1,050,000 (2010: £787,000). As all of the schemes are closed to new members, under the projected unit method the current service cost will increase as the members of the schemes approach retirement. Contribution rates have been set up by the independent actuaries at rates ranging from around 17% to 45% of pensionable salary.

The major assumptions used by the actuaries were:

	At 30 September 2011	At 30 September 2010	At 30 September 2009
Rates of increase in salaries	3.0%	3.0%	3.2%
Rate of increase in pensions in payment	3.0%	3.0%	3.2%
Discount rate	5.2%	5.2%	5.7%
Inflation assumption (RPI)	3.0%	3.0%	3.2%
Inflation assumption (CPI)	2.0%	n/a	n/a
Life expectancy for male pensioner beyond the retiring age of 65	21.0yrs	20.2yrs	19.9yrs
Life expectancy for female pensioner beyond the retiring age of 65	23.4yrs	22.5yrs	22.3yrs

The assets in the schemes and expected rate of return were:

	Long term rate of return expected at 30 September 2011 %	Value at 30 September 2011 £'000	Long term rate of return expected at 30 September 2010 %	Value at 30 September 2010 £'000	Long term rate of return expected at 30 September 2009 %	Value at 30 September 2009 £'000
Equities	6.8%	12,750	7.2%	12,037	7.2%	13,925
Corporate bonds	5.3%	11,041	5.2%	11,949	5.7%	9,381
Fixed interest						
Government bonds	3.5%	4,153	3.9%	3,430	3.9%	4,198
Index linked Government bonds	3.3%	5,624	3.7%	4,948	3.7%	4,513
Property	1.0%	173	0.7%	23	0.7%	232
Cash & annuities	1.0%	3,352	0.7%	4,493	0.7%	3,089
Total market value of assets		37,093		36,880		35,338
Present value of scheme liabilities		(47,438)		(50,421)		(47,618)
Restriction on surplus		-		(21)		(21)
Deficit in the scheme		(10,345)		(13,562)		(12,301)
Related deferred tax asset		2,586		3,670		3,444
Net pension liability		(7,759)		(9,892)		(8,857)

The expected long-term rate of return on the assets has been derived as the weighted average of the long-term rate of return on the underlying asset classes which the pension scheme holds.

DANOPTRA LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 September 2011

20. PENSION LIABILITIES (continued)

	2011 £'000	2010 £'000
Analysis of the amount charged to operating profit		
Current service cost	(273)	(298)
Total operating charge	(273)	(298)
	2011 £'000	2010 £'000
Analysis of the amount charged to finance income		
Expected return on pension scheme assets	1,866	1,795
Interest on pension scheme liabilities	(2,589)	(2,612)
Net return	(723)	(817)
	2011 £'000	2010 £'000
Analysis of the amount recognised in statement of total recognised gains and losses		
Actual return less expected return on pension scheme assets	(961)	1,465
Experience gains and losses arising on the scheme liabilities	(624)	(2,388)
Change in actuarial assumption regarding inflation index	4,727	-
Actuarial gain/(loss)	3,142	(923)
	2011 £'000	2010 £'000
Movements in the present value of defined benefit obligations were as follows:		
At 1 October	50,421	47,618
Service cost	273	298
Interest cost	2,589	2,612
Actuarial losses	624	2,388
Change in actuarial assumption regarding inflation data	(4,727)	-
Contributions from scheme members	73	178
Benefits paid	(1,815)	(1,865)
Liabilities extinguished on settlements	-	(808)
At 30 September	47,438	50,421
	2011 £'000	2010 £'000
Movements in the fair value of scheme assets were as follows.		
At 1 October	36,880	35,338
Expected return on scheme assets	1,866	1,795
Actuarial (losses)/gains	(961)	1,465
Contributions from scheme members	73	178
Contributions from the sponsoring companies	1,050	777
Benefits paid	(1,815)	(1,865)
Assets distributed on settlements	-	(808)
At 30 September	37,093	36,880

DANOPTRA LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 September 2011

20. PENSION LIABILITIES (continued)

History of experience gains and losses	2011	2010	2009	2008	2007
Difference between the expected and actual return on scheme assets (£'000)	(961)	1,465	422	(5,147)	566
Percentage of scheme assets (%)	(3%)	5%	1%	(16%)	2%
Experience losses on scheme liabilities (£'000)	(624)	(2,388)	(10,067)	8,341	630
Percentage of the present value of scheme liabilities (%)	(1%)	(5%)	(21%)	23%	1%
Total amount recognised in statement of total recognised gains and losses (£'000)	3,142	(923)	(9,645)	3,194	5,523
Percentage of the present value of scheme liabilities (%)	7%	(2%)	(20%)	9%	13%

The actual return on scheme assets was £905,000 (2010 £3,260,000)

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses since the adoption of FRS17 is a loss of £11,659,000 (2010 loss of £14,801,000)

The estimated contributions expected to be paid into the schemes during the year commencing 3 October 2011 are £802,000

The directors of Danoptra Limited have negotiated with the trustees of the Group's pension schemes arrangements to pay £13.6m over the next eight years to assist in meeting current funding deficits

Company

The Company's employees participate in the Gamestec Leisure Limited Retirement Benefit Scheme along with other companies in the Danoptra Limited group. The Schemes are defined benefit schemes. As the company has been unable to identify its share of the assets and liabilities in the Scheme, the company has, under FRS17 "Retirement Benefits", accounted for the Schemes as if they were defined contribution schemes.

DANOPTRA LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 September 2011

21. SHARE CAPITAL

Group and company	30 September 2011		30 September 2010	
	Authorised Number	Authorised £'000	Authorised Number	Authorised £'000
A1 ordinary shares of 0.1 pence each	63,000	-	63,000	-
A2 deferred shares of 0.1 pence each	63,000	-	63,000	-
B1 ordinary shares of 0.1 pence each	20,000	-	20,000	-
B2 deferred shares of 0.1 pence each	15,000	-	15,000	-
C1 ordinary shares of 0.1 pence each	2,000	-	2,000	-
C2 deferred shares of 0.1 pence each	2,000	-	2,000	-
Deferred shares of £1 each	835	1	835	1
	165,835	1	165,835	1

	30 September 2011		30 September 2010	
	Allotted, called up and fully paid Number	Allotted, called up and fully paid £'000	Allotted, called up and fully paid Number	Allotted, called up and fully paid £'000
A1 ordinary shares of 0.1 pence each	63,000	-	63,000	-
A2 deferred shares of 0.1 pence each	63,000	-	63,000	-
B1 ordinary shares of 0.1 pence each	20,000	-	20,000	-
B2 deferred shares of 0.1 pence each	15,000	-	15,000	-
C1 ordinary shares of 0.1 pence each	2,000	-	2,000	-
C2 deferred shares of 0.1 pence each	2,000	-	2,000	-
Deferred shares of £1 each	-	-	-	-
	165,000	-	165,000	-

The A1 Shares and B1 Shares carry equal voting rights. No other shares carry any right to vote.

Any profits which the Company may determine to distribute in respect of any financial year shall be applied amongst the Shareholders of the A1 Shares, the B1 Shares and the C1 Shares.

The A2 Shares, the B2 Shares, the C2 Shares and the Deferred Shares shall not confer on the Shareholders any right to receive dividends or participate in sums distributed by the Company.

DANOPTRA LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 September 2011

22. STATEMENT OF MOVEMENT ON RESERVES

Group	Share premium account £'000	Profit and loss account £'000	Total £'000
At 1 October 2010	136,134	(222,146)	(86,012)
Retained loss for the year	-	(13,126)	(13,126)
Actuarial gain on pension schemes	-	3,142	3,142
Movement on deferred tax relating to actuarial gain	-	(785)	(785)
Change in deferred tax relating to tax rate change	-	7	7
At 30 September 2011	136,134	(232,908)	(96,774)

Company	Share premium account £'000	Profit and loss account £'000	Total £'000
At 1 October 2010	136,134	(209,851)	(73,717)
Retained loss for the year	-	(35,459)	(35,459)
At 30 September 2011	136,134	(245,310)	(109,176)

23. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' DEFICIT

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Loss for the year	(13,126)	(13,181)	(35,459)	(28,259)
Exchange differences	-	85	-	-
Actuarial gain on pension scheme	3,142	(923)	-	-
Movement on deferred tax on actuarial gain	(785)	258	-	-
Change in deferred tax relating to tax rate change	7	-	-	-
Net change in shareholders' deficit	(10,762)	(13,761)	(35,459)	(28,259)
Opening shareholders' deficit	(86,012)	(72,251)	(73,717)	(45,458)
Closing shareholders' deficit	(96,774)	(86,012)	(109,176)	(73,717)

DANOPTRA LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 30 September 2011

24. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

	2011 £'000	2010 £'000
Group operating loss	(1,802)	(1,093)
Depreciation of tangible fixed assets	12,419	16,968
Amortisation of goodwill	857	1,131
Goodwill impairment	3,242	3,898
Fixed asset impairment	1,330	-
Profit on sale of fixed assets	(779)	(1,475)
(Increase)/decrease in debtors	(2,173)	6,337
(Increase)/decrease in stocks	(118)	608
Decrease in creditors and provisions	(2,853)	(9,775)
Movement on pension contributions creditor	(777)	(491)
Net cash flow from operating activities	9,346	16,108

25. ANALYSIS AND RECONCILIATION OF NET DEBT

	As at 1 October 2010 £'000	Cash flow £'000	Non-cash movements £'000	As at 30 September 2011 £'000
Cash at bank and in hand	14,634	(2,237)	-	12,397
	14,634	(2,237)	-	12,397
Debt due within one year	(39,756)	2,864	(65,089)	(101,981)
Debt due after one year	(56,191)	-	56,191	-
Finance leases	(504)	369	-	(135)
	(96,451)	3,233	(8,898)	(102,116)
Net debt	(81,817)	996	(8,898)	(89,719)

Non cash movements relate to capitalised interest on debt facilities

	2011 £'000	2010 £'000
(Decrease)/increase in cash in the year	(2,237)	5,322
Cash outflow from increase in debt	3,233	3,505
Change in net debt resulting from cash flows	996	8,827
Non cash movements in net debt	(8,898)	(8,394)
Movement in net debt in the year	(7,902)	433
Net debt at 1 October 2010	(81,817)	(82,250)
Net debt at 30 September 2011	(89,719)	(81,817)

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NOTES TO THE FINANCIAL STATEMENTS Year ended 30 September 2011

26. FINANCIAL COMMITMENTS

Contracted capital expenditure of the Group outstanding at 30 September 2011 was £591,000 (2010 £nil)

The annual commitments under non cancellable operating leases are as follows

	2011		2010	
	Land and Buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
Leases expiring				
Within one year	281	48	137	81
Between two and five years	574	1,642	841	1,259
After five years	300	-	194	13
	1,155	1,690	1,172	1,353

The company had no contracted capital expenditure or commitments under non cancellable operating leases in the current or preceding period

27. RELATED PARTY DISCLOSURES

The company has taken advantage of the exemption in Financial Reporting Standard No 8 'Related party transactions' from disclosing any transactions between the company and other wholly owned group companies as these have been eliminated on consolidation in the financial statements of Danoptra Limited

28. ULTIMATE CONTROLLING COMPANY

EOS Partners LP are regarded as the ultimate controlling party by virtue of its majority interest in the equity share capital of Danoptra Limited