

## **Valiant Sports Holdings Limited**

Annual report and financial statements

For the period from 11<sup>th</sup> March 2009 to 27<sup>th</sup> December 2009

Company registration number: 6843005

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## Group directors' report for the period ended 27<sup>th</sup> December 2009

The directors present their audited financial statements from 11th March 2009 (date of incorporation) to 27th December 2009. The group commenced trading on 24th March 2009.

### Principal activity

The principal activity of the company during the period was that of a holding and parent company for Valiant Sports Limited. Valiant Sports Limited was incorporated to acquire shares in 5 trading companies from Rileys Limited (in administration). Those 5 trading subsidiaries' principal activity is the operation of pool and snooker clubs (cue sports).

Valiant Sports Holdings Limited's immediate parent company is Indicant Acquisitions Limited and its ultimate parent company is Indicant Equity Limited, both are incorporated in Jersey.

### Review of the business

Valiant Sports Holdings Limited was incorporated on 11th March 2009 to act as holding and parent company for Valiant Sports Limited.

The group purchased shares in 5 companies comprising the assets of 130 Rileys clubs for a consideration of £20,000. Because of the seasonal nature of the business these results do not include the profits that would normally be expected in the winter months of January and February.

The results for the period from 11th March 2009 to 27th December 2009 are set out in the consolidated profit and loss account.

The group loss before and after taxation from continuing operations for the period was £559,000.

The company incurred exceptional costs of £6,294,000, detailed in note 3 to the accounts.

### Future developments

The external commercial environment is expected to remain competitive. The company is gradually transferring more facilities to English Pool to take advantage of the current popularity of this game. Since acquisition the company has invested in a number of its sites. Investment has been focused on two areas, the provision of darts zones and hi-definition large TV screens. This investment will transform our clubs into sports bars where a number of activities will be available – pool, snooker, darts, foosball tables and large hi-definition screens showing all major sporting events.

### Dividends

The directors do not recommend the payment of a dividend.

### Donations

Charitable donations did not exceed £2,000 in the period.

### Principal risks and uncertainties

#### Financial risk management

The company's operations are exposed to a number of risks and uncertainties. Listed below are the principal risks and uncertainties which management have identified as facing the company. Additional risks and uncertainties may emerge in the future which are not currently known or are not currently considered to impose material risk on the group.

The Group's cue sports business is based exclusively in the UK and so is exposed to UK economic conditions and consumer confidence. The Group will be affected by the general level of consumer spending on leisure activities and may also be affected by changing consumer preferences.

The business is subject to seasonal demand variations. Warm weather adversely impacts revenues as do unusual weather conditions such as heavy snow, icy conditions or high winds that discourage people from

## Group directors' report for the period ended 27<sup>th</sup> December 2009

venturing out Major sporting events also affect the results, major televised snooker tournaments generally encourage more players to the cue sports clubs whilst events such as the football World Cup can generally increase customers although adversely affect revenues if England are out of the tournament in its early stages

The cue sports business is exposed to UK regulatory changes, in particular that relating to gaming, the sale of alcoholic drinks and smoking in public places

The majority of the Group's properties are subject to periodic rent reviews and renegotiation of rents when leases are renewed, this may have an adverse effect on profits and rents may increase to the extent that individual businesses become unprofitable The opportunity was taken to seek to renegotiate all rents with landlords following acquisition

A number of UK fiscal factors affect the business such as duty on alcoholic drinks, VAT and other business and corporation taxes Changes in legislation which affect any of these factors could adversely impact the results of the group

### Directors

The directors who held office during the period, are given below

ED Tesone	(appointed 11 <sup>th</sup> March 2009)
JD Agnew	(appointed 11 <sup>th</sup> March 2009)
K Rodrigues	(appointed 11 <sup>th</sup> March 2009)
MW Kelly	(appointed 11 <sup>th</sup> March 2009)
CHB Mills	(appointed 6 <sup>th</sup> April 2009)
RTN Sowerby	(appointed 6 <sup>th</sup> April 2009)
GB Phillips	(appointed 7 <sup>th</sup> April 2009)
C Barlow	(appointed 7 <sup>th</sup> April 2009, resigned 27 <sup>th</sup> May 2010)
JB Brade	(appointed 7 <sup>th</sup> April 2009)

### Supplier payment policy

The company does not follow any code or standard on payment practice The group's policy for settlement of debts is to maintain satisfactory relationships with all suppliers whilst maximising shareholder value Trade payables of the group at 27<sup>th</sup> December 2009 were equivalent to 37 day purchases The company has no trade payables

### 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, efforts are made to ensure that their employment with the company continues and that appropriate training is arranged It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees

The company places considerable value on the involvement of its employees and continues to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company This is achieved through formal and informal meetings

### Statement of directors' responsibilities

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 group and company 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

## Group directors' report for the period ended 27<sup>th</sup> December 2009

give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to

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

### Going concern

After making enquiries and taking into account trading prospects, the Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future (see Note 1 for discussion on going concern assumption). For this reason the Directors continue to adopt the going concern basis in preparing the financial statements.

### Statement of disclosure of information to auditors

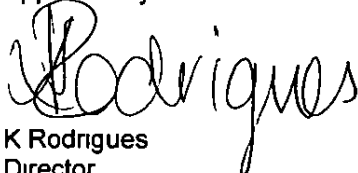
For each of the persons who were directors at the time this report was prepared, the following applies

- So far as the directors are aware, there is no relevant information of which the Company's auditors are unaware,
- The directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### Auditors

PricewaterhouseCoopers LLP were appointed as auditors during the period and have expressed their willingness to continue in office. A resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the board of directors and signed on behalf of the board by



K Rodrigues  
Director

10th December 2010

Registered Office

Suite 3, Shenley Pavilions  
Chalkdell Drive  
Shenley Wood  
Milton Keynes  
MK 5 6LB

## Independent auditors' report to the members of Valiant Sports Holdings Limited

We have audited the group and parent company financial statements (the "financial statements") of Valiant Sports Holdings Limited for the period ended 27<sup>th</sup> December 2009. These comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement, 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 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 group's and 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.

### Opinion on financial statements

In our opinion the financial statement

- give a true and fair view of the state of the group's and the parent company's affairs as at 27<sup>th</sup> December 2009 and of the group's loss and cash flows for the period 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

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in the basis of preparation of the financial statements (note 1) concerning the Group's and parent company's ability to continue as a going concern. The Group's existing overdraft facilities are due for review by 31 March 2011, and a phased reduction in the facility limit is being implemented until that date. The Group has prepared financial projections and cash flow forecasts which indicate that ongoing finance facilities are required beyond 31 March 2011 in order to enable the Group to operate and to meet its liabilities as and when they fall due. In the event that the Group is unable to remain within its existing facility limits and/or is unable to obtain sufficient facilities beyond the 31 March 2011 review date, the Group may need to curtail its operations and liquidate assets. The successful outcome of any of these alternatives can not be guaranteed.

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

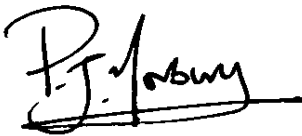
In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Independent auditors' report to the members of Valiant Sports Holdings 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 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



Paul J Norbury  
Senior Statutory Auditor  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Milton Keynes  
14 December 2010

# Consolidated profit and loss account – company registration number 6843005

For the period from 11<sup>th</sup> March 2009 to 27<sup>th</sup> December 2009

	Notes	Before exceptional items 11 <sup>th</sup> March to 27 <sup>th</sup> December 2009 £'000	Exceptional items 11 <sup>th</sup> March to 27 <sup>th</sup> December 2009 (note 3) £'000	TOTAL 11 <sup>th</sup> March to 27 <sup>th</sup> December 2009 £'000
<b>Turnover</b>	1	24,406	-	24,406
Cost of sales		(12,682)	-	(12,682)
<b>Gross profit</b>		<u>11,724</u>	<u>-</u>	<u>11,724</u>
Administrative expenses		(12,211)	(6,294)	(18,505)
<b>Operating loss</b>	2,3	<u>(487)</u>	<u>(6,294)</u>	<u>(6,781)</u>
Interest receivable and similar income	6	2	-	2
Interest payable and similar charges	7	(74)	-	(74)
<b>Loss on ordinary activities before taxation</b>		<u>(559)</u>	<u>(6,294)</u>	<u>(6,853)</u>
Tax on loss on ordinary activities	8	-	-	-
<b>Loss for the financial period</b>	19	<u>(559)</u>	<u>(6,294)</u>	<u>(6,853)</u>

All results are derived from operations acquired during the period and are derived from one class of business

There are no gains or losses other than the loss for the period, consequently no statement of total recognised gains and losses has been presented

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

# Consolidated balance sheet – company registration number 6843005

As at 27<sup>th</sup> December 2009

	Notes	27 <sup>th</sup> December 2009 £'000	27 <sup>th</sup> December 2009 £'000
<b>Fixed assets</b>			
Intangible assets			
- Other intellectual property	10	42	
- Negative goodwill	10	(12,628)	
			(12,586)
Tangible assets	11		15,565
			2,979
<b>Current assets</b>			
Stock	13	515	
Debtors	14	2,757	
Cash at bank and in hand		1,751	
			5,023
<b>Creditors</b> amounts falling due within one year	15		(11,542)
<b>Net current liabilities</b>			(6,519)
<b>Total assets less current liabilities</b>			(3,540)
<b>Provisions for liabilities and charges</b>	16		(3,313)
<b>Net liabilities</b>			(6,853)
<b>Capital and reserves</b>			
Called up share capital	18		-
Profit and loss account	19		(6,853)
<b>Shareholder's deficit</b>	20		(6,853)

The financial statements on pages 7 to 26 were approved by the Board of Directors of the parent company on 10th December 2010 and were signed on its behalf by

  
K Rodrigues  
Director



# Company balance sheet – company registration number 6843005

As at 27th December 2009

	Notes	27 <sup>th</sup> December 2009 £'000
<b>Fixed assets</b>		
Investments	12	-
<b>Debtors:</b> amounts falling due within one year	14	1,567
<b>Creditors</b> amounts falling due within one year	15	(1,572)
<b>Net liabilities</b>		<u>(5)</u>
<b>Capital and reserves</b>		
Called up share capital	18	-
Profit and loss account	19	(5)
<b>Shareholder's deficit</b>	20	<u>(5)</u>

The financial statements on pages 7 to 26 were approved by the Board of Directors of the parent company on 10th December 2010 and signed on its behalf by



K Rodrigues  
Director

# Consolidated cash flow statement

For the period from 11<sup>th</sup> March 2009 to 27<sup>th</sup> December 2009

	Notes	11 <sup>th</sup> March to 27 <sup>th</sup> December 2009 £'000	11 <sup>th</sup> March to 27 <sup>th</sup> December 2009 £'000
<b>Net cash inflow from operating activities</b>			
- Pre exceptional	21	2,735	
- Exceptional	21	<u>(2,130)</u>	605
<b>Returns on investment and servicing of finance</b>			
Interest received		2	
Interest paid		<u>(7)</u>	
<b>Net cash outflow from returns on investments and servicing of financing</b>			(5)
Taxation			-
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(1,373)	
Sale of tangible fixed assets		<u>37</u>	
			(1,336)
<b>Acquisitions</b>			
Cash acquired on acquisition	25	<u>949</u>	
Net cash inflow from acquisitions			949
<b>Net cash inflow before use of liquid resources and financing</b>			<u>213</u>
<b>Financing</b>			
Issue of ordinary share capital	18	-	
Increase in borrowings from parent undertaking and ultimate parent undertaking		1,700	
Payments made on behalf of parent undertaking		<u>(162)</u>	
			1,538
<b>Increase in cash in the period</b>	22		<u>1,751</u>
<b>Reconciliation of net (debt)/cash</b>			
Increase in net cash			1,751
Amounts owed to parent and ultimate parent undertaking on acquisition	25		(4,806)
Movements in amounts owed to parent and ultimate parent undertaking			<u>(1,538)</u>
<b>Net debt at 27<sup>th</sup> December 2009</b>			<u>(4,593)</u>

## Notes to the financial statements

For the period from 11<sup>th</sup> March 2009 to 27<sup>th</sup> December 2009

### 1 - Accounting policies

The principal accounting policies adopted by the group are described below. They have been applied consistently throughout the current period.

#### Accounting convention

The financial statements are prepared under the historical cost convention, in accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) and with applicable United Kingdom accounting standards.

#### Basis of preparing the financial statements – going concern assumption

The Directors have considered the basis of the preparation of the Group and company financial statements and after careful consideration have concluded that it continues to be appropriate to prepare these financial statements on a going concern basis.

The group meets its financing and day to day working capital requirements through a combination of intercompany funding from the Group's immediate parent company, Indicant Acquisitions Limited, amounting to approximately £6.3m (refer note 15), and through an overdraft facility from its bank. The existing bank overdraft facility is in place until 31 March 2011 and there is a phased reduction in the facility limit until that date.

The financial statements have been prepared on the going concern basis which assumes that the company will continue in operational existence for the foreseeable future. The validity of this assumption depends on the continued support of the company's immediate and ultimate parent company by continuing to provide the loan facilities and on the availability of a sufficient bank overdraft facility.

The Directors have considered and endorsed budgets and cash flow projections prepared by management which indicate that the group expects to remain within its existing facility limits until the review date of the facility in March 2011. The budget and cash flow projections indicate that a facility is required beyond March 2011. The Directors consider it probable that successful renewal of the overdraft facility or an alternative provider will be secured prior to March 2011 to ensure that a sufficient overdraft facility is available to meet the company's and group's financing requirements. The Directors also consider it probable that Indicant Acquisitions Limited will not require repayment of existing loan facilities within a period of at least 12 months from the date of approval of these financial statements.

Nevertheless, the successful outcome of replacement or extension of these facilities cannot be guaranteed and hence this represents a material uncertainty which may cast doubt about the company's and group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company and group was unable to continue as a going concern.

#### Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings for the 42 week period from 11th March 2009 to 27th December 2009. Acquisitions are accounted for under the acquisition method.

The consolidated financial information incorporates the financial statements of the parent company and all its subsidiary undertakings made up to the balance sheet date. Subsidiaries are entities where the company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date on which control is transferred to or from the Group, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring accounting policies used into line with those used by the Group. Any profit or loss arising from intercompany transactions is eliminated on consolidation.

## Notes to the financial statements (continued)

For the period from 11<sup>th</sup> March 2009 to 27<sup>th</sup> December 2009

### 1 - Accounting policies (continued)

#### Turnover

Turnover represents the total amounts earned from members and guests for membership income, use of snooker and pool tables, use of amusement machines and bar and food sales, together with any other goods and services delivered in the normal course of business. Turnover is recognised when the amount can be reliably measured and it is probable that future economic benefits will flow to the entity. The majority of the Group's turnover is generated through cash and credit card takings from sale of food and beverage and through providing cue sports services and is recognised at the time of the goods or services being supplied. Membership income is deferred and recognised over the period of the membership. Turnover is wholly derived from the group's principal activity and is earned in the United Kingdom.

#### Investments in subsidiary undertakings

Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment (see policy below). Impairment reviews are performed by the directors when there has been an indication of potential impairment.

#### Intangible assets - goodwill

Negative goodwill arising on the acquisition of subsidiary undertakings represents the excess of the fair value of the identifiable assets and liabilities acquired over the consideration given. It is initially recognised in the balance sheet and is amortised by crediting the profit and loss account over the periods in which the acquired non-monetary assets are recovered through depreciation or sale, and is amortised over the average life of the non-monetary assets in the 5 trading companies.

If a subsidiary or business is subsequently sold or closed, any goodwill arising on acquisition that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale or closure.

Negative goodwill is allocated to cash generating units to which it relates for the purposes of impairment testing. An appropriate proportion of the negative goodwill is impaired and credited to the profit and loss account if an impairment to the non-monetary assets is also identified.

#### Tangible fixed assets

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment. Depreciation is provided in equal amounts each period in order to write off the cost of tangible assets less their estimated residual value over their anticipated useful lives. The principal useful lives used for assets are:

Improvements to short leasehold properties	The life of the lease, averaging 14 years
Fixtures, fittings and equipment	1 to 20 years

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable (see policy below).

Improvements to short leasehold properties acquired in the acquisition of the 5 trading subsidiaries, Rileys Clubs Limited, Rileys Recreation Limited, Rileys Pool and Snooker Limited, Rileys Indoor Sports Limited and Rileys Leisure Limited, were fair valued based on existing use for a fully operational business unit. Fixtures, fittings and equipment were fair valued based on estimates of market value.

#### Leases

Operating leases are those where substantially all of the risks and rewards incidental to ownership are retained by the lessor. Rentals paid in respect of operating leases are charged to the profit and loss account on a straight-line basis over the term of the lease. Benefits received and receivable as an incentive to sign an

## Notes to the financial statements (continued)

For the period from 11<sup>th</sup> March 2009 to 27<sup>th</sup> December 2009

### 1 - Accounting policies (continued)

operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used

#### Impairment of assets

At the year end all tangible and intangible assets are considered for evidence of impairment. If there is an indication of impairment the Directors carry out an impairment test by measuring the assets' recoverable amount, which is the higher of net realisable value and value in use. If the recoverable amount is below the carrying value, an impairment loss is recognised in the income statement and the asset is written down to the recoverable amount. In assessing value in use, the estimated future cash flows arising from the use of the asset are discounted to their present value using a discount rate which reflects current market assessments of the time value of money and the risks specific to the asset. The discount rate used for the calculations is 15% being the company's estimated weighted average cost of capital. Impairment of the company's operating businesses is assessed at the cash generating unit (CGU) level. Impairment losses are charged to the profit and loss account in the period in which they are identified.

#### Stock

Stock is stated at the lower of cost and net realisable value. Cost is calculated as cost of purchase on a first in first out basis on normal levels of activity. Net realisable value is based on estimated selling price less further costs expected to be incurred on completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

#### Financial assets and liabilities

The Group has complied with the presentation requirements of FRS 25, 'Financial instruments: disclosure and presentation'. The Group has not adopted FRS26 'Financial instruments: recognition and measurement'.

Financial assets and liabilities are recognised on the date on which the Group becomes a party to the contractual provisions of the instrument giving rise to the asset or liability. Any impairment of a financial asset is charged to the profit and loss account when incurred. Financial assets are derecognised when the Group's rights to cash inflows from the asset expire. Financial liabilities are derecognised when the contractual obligations are discharged, cancelled or expire.

The Group's principal financial assets and liabilities are measured as follows:

- "trade and other debtors" – these are financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides goods directly to a debtor, or advances money, with no intention of trading the loan or receivable. Subsequent to initial recognition, loans and receivables are included in the balance sheet at amortised cost using the effective interest method less any amounts written off to reflect impairment, with changes in carrying amount recognised in the profit and loss account within administrative expenses. A provision for impairment of trade and other debtors is established when there is evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, default or delinquency in payments, and the unavailability of credit insurance at commercial rates are considered indicators that the debtor may be impaired. When a trade debtor is uncollectible, it is written off against the provision account. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the profit and loss account.
- "cash and cash equivalents" – these comprise of deposits with an original maturity of three months or less with banks and financial institutions, bank balances, and cash in hand.

## Notes to the financial statements (continued)

For the period from 11<sup>th</sup> March 2009 to 27<sup>th</sup> December 2009

### 1 - Accounting policies (continued)

- 'trade and other creditors and accruals' – these arise when the Group receives goods or services directly from a creditor or supplier with no intention of trading the liability, and are typically non-interest bearing and following initial recognition are included in the balance sheet at amortised cost
- 'bank loans and overdrafts' – these are initially recorded at fair value based on proceeds received net of issue costs. Finance charges on bank loans are charged to the profit and loss account so as to recognise the finance costs (being the difference between net proceeds received and total amounts payable to discharge the loan) on a constant rate on the carrying amount of the loan and recognised in interest payable and similar charges
- 'other loans' - these include loans from parent and other related parties and are recorded initially at the fair value based on proceeds received net of direct issue costs, and are subsequently stated at amortised cost. Direct issue costs are apportioned to each tranche of debt raised and charged to the profit and loss account over the term of the debt or instrument, so that the amount charged is at a constant rate on the carrying amount

### Taxation

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

### Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is not recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

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.

### Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation, and an estimate can be made of that obligation. Where the impact of discounting is material, provisions are discounted using a rate that reflects the time value of money adjusted for relevant risks in the underlying estimated cash flows.

### Exceptional items

Exceptional items are events or transactions that fall within the activities of the Group and which by virtue of their size or incidence have been disclosed in order to improve a reader's understanding of the financial statements.

### Related party transactions

The company has taken advantage of the exemptions available under Financial Reporting Standard No 8 (Related Party Disclosures) not to disclose transactions with other wholly owned group undertakings.

## Notes to the financial statements (continued)

For the period from 11<sup>th</sup> March 2009 to 27<sup>th</sup> December 2009

### 2 – Operating loss before exceptional items

11<sup>th</sup> March  
to 27<sup>th</sup>  
December  
2009  
£'000

**This is stated after charging/(crediting):**

Staff costs (note 4)	9,034
Amortisation of intangible assets	(1,986)
Depreciation of tangible fixed assets - owned	2,593
Operating leases charges – rents	3,880
Loss on disposal of fixed assets	7
Auditors' remuneration – audit of parent company and consolidated accounts	27
Auditors remuneration – audit of company's subsidiaries pursuant to legislation	50
Auditors' remuneration – tax services	25

Loss of disposal of fixed assets relates to the closure of a number of sites during the period

### 3 - Exceptional items

Exceptional costs / (credits) comprise

11<sup>th</sup> March  
to 27<sup>th</sup>  
December  
2009  
£'000

Voluntary payments to suppliers owed monies by Rileys Limited (in administration)	1,610
Legal and professional costs relating to the formation and reorganisation of the new group	913
Onerous lease charge	3,313
Impairment of fixed assets	2,997
Impairment of intangibles	(2,539)
	6,294

## Notes to the financial statements (continued)

For the period from 11<sup>th</sup> March 2009 to 27<sup>th</sup> December 2009

### 4 - Staff costs

The average monthly number of employees of the group, including executive directors, was as follows

	<b>Group</b> 11 <sup>th</sup> March to 27 <sup>th</sup> December 2009 No
Average number of employees	
Unit staff	844
Head Office administration	33
Unit and regional management	177
	<hr/> 1,054 <hr/>

	<b>Group</b> 11 <sup>th</sup> March to 27 <sup>th</sup> December 2009 £'000
Salaries and wages	8,507
Social security costs	527
	<hr/> 9,034 <hr/>

### 5 - Directors' remuneration

	<b>Group</b> 11 <sup>th</sup> March to 27 <sup>th</sup> December 2009 £'000
Aggregate emoluments	<hr/> 312 <hr/>

Directors' emoluments for the group are borne by Rileys Clubs Limited one of the trading subsidiary companies

The highest paid director received aggregate emoluments of £169,000



## Notes to the financial statements (continued)

For the period from 11<sup>th</sup> March 2009 to 27<sup>th</sup> December 2009

### 6 - Interest receivable and similar income

	Group 11 <sup>th</sup> March to 27 <sup>th</sup> December 2009 £'000
Other receivable	2

### 7 - Interest payable and similar charges

	Group 11 <sup>th</sup> March to 27 <sup>th</sup> December 2009 £'000
Interest payable on loan from immediate parent company	67
Other interest payable	7
	<u>74</u>

## Notes to the financial statements (continued)

For the period from 11<sup>th</sup> March 2009 to 27<sup>th</sup> December 2009

### 8 - Tax charge on loss on ordinary activities

Group  
11<sup>th</sup> March  
to 27<sup>th</sup>  
December  
2009  
£'000

#### Current tax

UK corporation tax at 28% on loss for the period

-

#### Deferred tax

Current period

-

#### Tax on loss on ordinary activities

-

The tax on the loss on ordinary activities differs from the standard rate of corporation tax in the UK for the period ended 27<sup>th</sup> December 2009 of 28%. The differences are explained below

Loss on ordinary activities before tax	(6,853)
Tax on loss on ordinary activities at standard rate of corporation tax in the UK of 28%	(1,919)
Effects of	
Expenses treated as not deductible for tax purposes	727
Accelerated capital allowances in excess of depreciation	(429)
Losses not recognised	2,051
Impairment of fixed assets	839
Amortisation and impairment of negative goodwill	(1,269)
Current tax charge for the period	-

The future effective rate of tax is expected to remain at zero to the extent that group relief is available

### 9 - Loss attributable to the company

The loss for the financial year dealt with in the financial statements of the parent company was £5,000. The directors have taken advantage of the exemption available under Section 408 of the Companies Act 2006 and not presented a profit and loss account for the company alone.

## Notes to the financial statements (continued)

For the period from 11<sup>th</sup> March 2009 to 27<sup>th</sup> December 2009

### 10 - Intangible fixed assets

	Other intellectual property	Negative goodwill	Total
	£'000	£'000	£'000
<b>Cost</b>			
Acquisitions (note 25)	50	(17,161)	(17,111)
At 27th December 2009	<u>50</u>	<u>(17,161)</u>	<u>(17,111)</u>
<b>Amortisation</b>			
Credit/(charge) for the period	(8)	1,994	1,986
Impairment	-	2,539	2,539
At 27th December 2009	<u>(8)</u>	<u>4,533</u>	<u>4,525</u>
<b>Net book amount</b>			
At 27th December 2009	<u>42</u>	<u>(12,628)</u>	<u>(12,586)</u>

### 11 - Tangible fixed assets

Group	Short leasehold property improvements	Fixtures, fittings and equipment	Total
	£'000	£'000	£'000
<b>Cost</b>			
Acquisitions (note 25)	14,217	5,560	19,777
Additions	111	1,311	1,422
Disposals	-	(49)	(49)
At 27th December 2009	<u>14,328</u>	<u>6,822</u>	<u>21,150</u>
<b>Depreciation</b>			
Charge for the period	1,350	1,243	2,593
Impairment losses	2,997	-	2,997
Disposals	-	(5)	(5)
At 27th December 2009	<u>4,347</u>	<u>1,238</u>	<u>5,585</u>
<b>Net book amount</b>			
At 27th December 2009	<u>9,981</u>	<u>5,584</u>	<u>15,565</u>

## Notes to the financial statements (continued)

For the period from 11<sup>th</sup> March 2009 to 27<sup>th</sup> December 2009

### 12 – Investments in subsidiaries

	Group £	Company £
<b>Cost</b>		
Additions in period	-	1
At 27th December 2009	-	1

The investment of £1 relates to the acquisition of the share capital in Valiant Sports Limited

Group	Country of registration	Percentage of ordinary shares held	Principal Activity
Valiant Sports Limited	England & Wales	100%	Intermediate Parent Company of the Rileys Group Companies
Rileys Clubs Limited	England & Wales	100%	Operator of Pool & Snooker Clubs
Rileys Indoor Sports Limited	England & Wales	100%	Operator of Pool & Snooker Clubs
Rileys Pool and Snooker Limited	England & Wales	100%	Operator of Pool & Snooker Clubs
Rileys Leisure Limited	England & Wales	100%	Operator of Pool & Snooker Clubs
Rileys Recreation Limited	England & Wales	100%	Operator of Pool & Snooker Clubs
Valiant Cafe Limited	England & Wales	100%	Dormant
Valiant Deli Limited	England & Wales	100%	Dormant
Valiant Bars Limited	England & Wales	100%	Dormant
Valiant Hospitality Limited	England & Wales	100%	Dormant

### 13 – Stock

	Group 27 <sup>th</sup> December 2009 £'000	Company 27 <sup>th</sup> December 2009 £'000
Consumables	515	-

### 14 – Debtors

	Group 27 <sup>th</sup> December 2009 £'000	Company 27 <sup>th</sup> December 2009 £'000
Amounts receivable from subsidiary undertakings	-	1,567
Trade debtors	86	-
Other debtors	594	-
Prepayments	2,077	-
	<u>2,757</u>	<u>1,567</u>

All amounts are receivable within one year

## Notes to the financial statements (continued)

For the period from 11<sup>th</sup> March 2009 to 27<sup>th</sup> December 2009

### 15 - Creditors: amounts falling due within one year

	<b>Group</b> 27 <sup>th</sup> December 2009 £'000	<b>Company</b> 27 <sup>th</sup> December 2009 £'000
Loans from immediate parent company	6,334	1,567
Loans from ultimate parent company	10	-
Amounts owed to subsidiary undertakings	-	5
Trade creditors	1,137	-
Other tax and social security	978	-
Other creditors	1,122	-
Accruals and deferred income	1,961	-
	<u>11,542</u>	<u>1,572</u>

#### Loans from immediate parent company

A loan of £3,500,000 was provided by Indicant Acquisitions Limited to the 5 trading subsidiaries - Rileys Recreation Limited, Rileys Clubs Limited, Rileys Leisure Limited, Rileys Indoor Sports Limited and Rileys Pool and Snooker Limited for the repayment of intercompany balances owed to Rileys Limited (In Administration)

A loan of £1,286,000 was made by Indicant Acquisitions Limited to Valiant Sports Limited relating to the acquisition of 5 trading businesses - Rileys Recreation Limited, Rileys Clubs Limited, Rileys Leisure Limited, Rileys Indoor Sports Limited and Rileys Pool and Snooker Limited from Rileys Limited (In Administration)

An additional £200,000 was advanced by Indicant Acquisitions Limited following proceeds from Rileys Limited (In Administration) for property sales

There is no formal agreement for the repayment of the above three loan tranches but as the purpose was principally related to the acquisition on 24 March 2009 of the trade and assets of 130 clubs purchased from Rileys Limited (In Administration) this represents a long term arrangement and the loan is expected to be repaid after 1 year, but not more than 5 years. These loans have no interest payable

A further £1,500,000 loan was advanced by Indicant Acquisitions Limited, for working capital and investment. At the balance sheet date the loan was repayable within one year, however the lender has agreed to not demand repayment of the loan for the foreseeable future. It is expected to be repaid after 1 year, but not more than 5 years. This loan incurs interest at 15% per annum and accrued interest is included above

During the period the Group have paid costs on behalf of Indicant Acquisitions Limited totalling £162,000 which has been offset against these loans

#### Loans from ultimate parent company

A loan of £10,000 has been made by Indicant Equity Limited being excess cash it held. This is expected to be repaid after 1 year, but not more than 5 years. This loan has no interest payable

## Notes to the financial statements (continued)

For the period from 11<sup>th</sup> March 2009 to 27<sup>th</sup> December 2009

### 16- Provisions for liabilities and charges

	Onerous leases £'000
Provided in year	3,313
27 <sup>th</sup> December 2009	<u>3,313</u>

Provisions for onerous leases have been recorded for the onerous element of rent and rates being charged on certain units with onerous property leases, covering the expected period of the onerous commitment

The assumption underlying the onerous lease provision is based on the future budgeted trading performance of the units. The provision is expected to unwind as follows

Onerous lease provisions	Total £'000
Between one and two years	801
Between two and five years	2,512
	<u>3,313</u>

### 17- Deferred Tax

The group has potential but unrecognised deferred tax assets arising from trading losses and accelerated capital allowances amounting to approximately £3.6 million (tax effect at 28%). These have not been recognised because sufficient future taxable profits are not considered probable at the balance sheet date.

### 18- Called up share capital

#### Group and Company

	27 <sup>th</sup> December 2009 £
<i>Authorised</i> 100 ordinary shares of £1 each	<u>100</u>
<i>Allotted, called up and fully paid</i> 1 ordinary share of £1 each	<u>1</u>

The ordinary share was allotted and fully paid in cash on 24<sup>th</sup> March 2009

## Notes to the financial statements (continued)

For the period from 11<sup>th</sup> March 2009 to 27<sup>th</sup> December 2009

### 19 - Profit and loss account

Group and Company	Group Profit and loss account £'000	Company Profit and loss account £'000
Loss for the period	(6,853)	(5)
At 27 <sup>th</sup> December 2009	<u>(6,853)</u>	<u>(5)</u>

### 20 - Reconciliation of movement in shareholder's deficit

	Group 27 <sup>th</sup> December 2009 £'000	Company 27 <sup>th</sup> December 2009 £'000
Issue of ordinary share capital	-	-
Loss for the period	(6,853)	(5)
Closing shareholder's deficit	<u>(6,853)</u>	<u>(5)</u>

### 21 - Reconciliation of operating loss to net cash flows from operating activities

	11 <sup>th</sup> March to 27 <sup>th</sup> December 2009 £'000 Pre exceptional	11 <sup>th</sup> March to 27 <sup>th</sup> December 2009 £'000 Exceptional
Operating loss	(487)	-
Exceptional items	-	(6,294)
Depreciation & impairment charges	2,593	2,997
Impairment of intangibles	-	(2,539)
Amortisation of intangible assets	(1,986)	-
Profit on disposal of assets	7	-
Onerous lease provision	-	3,313
Increase in stocks	(7)	-
Increase in debtors	(1,330)	-
Increase in creditors	3,945	393
<b>Net cash in/(out)flow from operating activities</b>	<u>2,735</u>	<u>(2,130)</u>

## Notes to the financial statements (continued)

For the period from 11<sup>th</sup> March 2009 to 27<sup>th</sup> December 2009

### 22 - Analysis and reconciliation of net debt

	At incorporation	Acquisitions excluding cash and overdrafts	Cashflow	27 <sup>th</sup> December 2009
	£'000	£'000	£'000	£'000
Cash in bank and in hand	-	-	1,751	1,751
Amounts owed to parent & ultimate parent undertaking	-	(4,806)	(1,538)	(6,344)
Net debt	-	(4,806)	213	(4,593)

### 23 - Lease commitments – operating leases

The company had annual commitments under non-cancellable operating leases as set out below

Group	27th December 2009 £'000
Land and buildings which expire	
Two to five years	85
Over five years	1,379
	<u>1,464</u>

### 24 - Ultimate holding company and controlling parties

Valiant Sports Holdings Limited is the parent company of the largest and smallest group of which the company is a member and for which group financial statements are drawn up. Indicant Equity Limited, incorporated in Jersey, is the ultimate parent company of Valiant Sports Holdings Limited and Indicant Acquisitions Limited, incorporated in Jersey, is the immediate parent company.



## Notes to the financial statements (continued)

For the period from 11<sup>th</sup> March 2009 to 27<sup>th</sup> December 2009

### 25 - Acquisitions

On 24<sup>th</sup> March 2009, Rileys Clubs Limited, Rileys Pool & Snooker Limited, Rileys Indoor Sports Limited, Rileys Recreation Limited and Rileys Leisure Limited, (known as the Rileys Group) purchased assets from Rileys Limited (In Administration) for a total consideration of £3.5m

On 25<sup>th</sup> March 2009, the shares of these 5 trading subsidiaries were acquired by Valiant Sports Limited from Rileys Limited (In Administration) for a consideration of £20,000. This purchase was accounted for as an acquisition.

The total adjustments required to the book values of the assets and liabilities of the companies acquired in order to present the net assets of those companies at fair values in accordance with group accounting policies as set out below with the resultant amount of negative goodwill arising.

#### Rileys Group Acquisition

	Book value £'000	Fair value adjustments £'000	Provisional fair value £'000
Intangible fixed assets	50	-	50
Tangible fixed assets	19,777	-	19,777
Stock	508	-	508
Debtors and prepayments	1,427	-	1,427
Cash in hand	949	-	949
Creditors	(4,786)	-	(4,786)
Deferred income	(744)	-	(744)
Net assets acquired	17,181	-	17,181
Negative goodwill			(17,161)
Consideration			20

#### Consideration satisfied by:

Reduction in amounts owed by Crucible Acquisitions Limited (Rileys Limited's parent company)

20

The book values of the assets have been taken from the management accounts of Rileys Group at 25<sup>th</sup> March 2009, the date of acquisition. Those book values reflect the assessment of fair values by the directors of the Rileys Group companies, following the acquisition on 24 March 2009 of the trade and assets of approximately 130 snooker clubs.

The group's results and cash flows, interest and capital expenditure wholly arises from the acquisition of the Rileys Group.

The Rileys Group only traded for one day prior to acquisition so a full financial year's results are not available. For the one day trading prior to the date of acquisition, Group management accounts show

## Notes to the financial statements (continued)

For the period from 11<sup>th</sup> March 2009 to 27<sup>th</sup> December 2009

### 25 – Acquisitions (cont'd)

	£'000
Turnover	25
Operating profit	20
Profit before taxation	20
Taxation and minority interests	-
Total recognised gains for the period	20

### 26 – Post balance sheet event

A new overdraft facility was secured in November 2010 and is subject to a phased reduction and review in March 2011, see note 1

### 27 – Related party transactions

Expenses of £88,000 for monitoring services have been incurred during the period, £44,000 payable to Greenhill Capital Partners Europe LLP and £44,000 payable to North Atlantic Value LLP, both investors in the group's ultimate parent company. Of the £88,000, £76,000 remains accrued at the year end.

### 28 – Capital commitments

Contractual commitments for capital expenditure not provided for at year end amounted to £227,000.