

Danoptra Limited  
Annual report and financial statements  
for the year ended 30 September 2005

Registered Number: 4395815



# Danoptra Limited

## Annual report and financial statements for the year ended 30 September 2005

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# **Danoptra Limited**

## **Directors and advisers for the year ended 30 September 2005**

### **Directors**

J G Jones  
C Daniels

### **Secretary**

J G Jones

### **Auditors**

Deloitte & Touche LLP  
1 City Square  
LEEDS  
LS1 2AL

### **Bankers**

The Royal Bank of Scotland plc  
HSBC Bank Plc  
The Bank of Scotland

### **Registered Office**

Low Lane  
Horsforth  
LEEDS  
LS18 4ER

### **Registered number**

4395815

# Danoptra Limited

## Directors' report for the year ended 30 September 2005

The directors present their report and the audited financial statements for the year ended 30 September 2005.

### Principal activity

The principal activity of the company is that of an intermediate parent company.

### Review of business and future developments

The profit and loss account for the period is set out on page 5. Both the financial results and the year end financial position were in line with the directors' expectations. The directors expect the current level of activity to be sustained for the foreseeable future.

On 5 January 2005, the company acquired from Kunick Limited, the whole of the share capital of Precis (928) Limited, the holding company for the Group's games design and manufacturing interests.

The carrying value of investments has been reviewed by the directors and based, as appropriate, on their net asset values or their anticipated future cash flows from trading operations in the foreseeable future discounted at 10%, the board has decided to recognise an impairment charge of £75,610,000, reducing the carrying value of the investments at the balance sheet date to £30,593,000.

### Dividends

The directors do not recommend the payment of a dividend in respect of the year ended 30 September 2005 (2004: £nil).

### Going Concern

The directors consider that whilst there can be no certainty in relation to the matters referred to and disclosed more fully in Note 1, as at the date of approval of these financial statements, it is appropriate to prepare the accounts on a going concern basis.

### Directors and their interests

The directors of the company are listed on page 1.

According to the register required to be kept under Section 325 of the Companies Act 1985 no director had any interest in the share capital of the company.

As permitted by statutory instrument, the register does not include shareholdings of directors who are also directors of Danoptra Holdings Limited and whose interests are shown in the director's report of that company. Both J. G. Jones and C. Daniels are also directors of Danoptra Holdings Limited, the ultimate parent company.

### Auditors

A resolution to re-appoint Deloitte & Touche LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

### By order of the Board



J G Jones  
Company Secretary

19th January 2007

# **Danoptra Limited**

## **Statement of directors' responsibilities**

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those 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 accounting standards have been followed;
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act. They are also responsible for the system of internal control, safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# Danoptra Limited

## Independent auditors' report to the members of Danoptra Limited

We have audited the financial statements of Danoptra Limited for the year ended 30 September 2005 which comprise the profit and loss account, the balance sheet, the statement of accounting policies and the related notes 1 to 16. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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 auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above period and consider the implications for our report if we become aware of any apparent misstatements.

### Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Going Concern

In forming our opinion, we have considered the adequacy of the disclosures made in Note 1 to the Financial Statements on the fundamental uncertainty concerning the use of the going concern basis. The appropriateness of this basis assumes various matters including the successful re-negotiation of the Group's funding arrangements to achieve a solvent recapitalisation of the Group and a significant restructuring of the business as referred to in Note 1. In view of the significance of this fundamental uncertainty we consider that it should be drawn to your attention, but our opinion is not qualified in this respect.

### Opinion

In our opinion the Financial Statements give a true and fair view of the state of affairs of the Company as at 30 September 2005 and of the loss of the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Deloitte + Touche LLP*

Deloitte & Touche LLP  
Chartered Accountants and Registered Auditors  
Leeds

*19 January 2007*

# Danoptra Limited

## Profit and loss account for the year ended 30 September 2005

	Notes	Year ended 30 September 2005 £'000	Year ended 30 September 2004 £'000
Administrative expenses - other		(342)	(474)
- exceptional	4	(75,610)	-
<b>Operating loss</b>		<b>(75,952)</b>	<b>(474)</b>
Net interest payable	5	(15,694)	(12,443)
<b>Loss on ordinary activities before taxation</b>		<b>(91,646)</b>	<b>(12,917)</b>
Tax on loss on ordinary activities	6	3,476	3,974
<b>Retained loss for the year</b>	12,13	<b>(88,170)</b>	<b>(8,943)</b>

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

The company has no recognised gains and losses other than those included above and therefore no separate statement of total recognised gains and losses has been presented.

All activities relate to continuing operations.

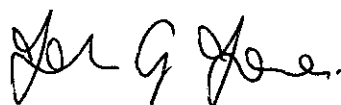
# Danoptra Limited

## Balance sheet as at 30 September 2005

	Notes	30 September 2005 £'000	30 September 2004 £'000
<b>Fixed assets</b>			
Investments in subsidiary undertakings	7	30,593	81,017
		<b>30,593</b>	<b>81,017</b>
<b>Current assets</b>			
Debtors	8	1,672	56,624
Debtors: Amounts falling due after more than one year	8	41,409	-
		<b>43,081</b>	<b>56,624</b>
<b>Creditors: amounts falling due within one year</b>	9	<b>(14,689)</b>	<b>(14,545)</b>
<b>Net current assets</b>		<b>28,392</b>	<b>42,079</b>
<b>Total assets less current liabilities</b>		<b>58,985</b>	<b>123,096</b>
<b>Creditors: amounts falling due after more than one year</b>	10	<b>(164,842)</b>	<b>(140,783)</b>
<b>Net liabilities</b>		<b>(105,857)</b>	<b>(17,687)</b>
<b>Capital and reserves</b>			
Share capital	11	-	-
Profit and loss account	12	(105,857)	(17,687)
<b>Equity shareholders' deficit</b>	13	<b>(105,857)</b>	<b>(17,687)</b>

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

The financial statements on pages 5 to 16 were approved by the board of directors on *19th January 2007* and were signed on its behalf by:



**J G Jones**  
Director

# Danoptra Limited

## Notes to the financial statements for the year ended 30 September 2005

The Company is part of the group headed by Danoptra Holdings Limited (the "Group").

### 1 Going Concern

The financial statements are prepared on a going concern basis, which the Directors believe to be appropriate following discussions with the Board of Directors of Danoptra Holdings Limited ("Danoptra"). Those directors have prepared a budget for the Group for the period ending 30 September 2007, including detailed cash flow information, and projections for the years to 30 September 2008 and 2009. These budgets and projections assume significant restructuring of the Group's businesses to generate cost savings and initiatives to improve revenue performance. It is also assumed that asset and business disposals will be made to accelerate the repayment of bank loans. Based upon these budgets and projections, the directors believe that it is appropriate that the Company's and Group's financial statements are prepared on a going concern basis.

The directors of Danoptra are engaged in discussions with the Senior and Mezzanine lenders ('the Group's bankers') as well as the holders of the 2012 and 2013 Deep Discounted Bonds, who are principal shareholders of Danoptra, referred to below. The directors of Danoptra have summarised the situation as follows:

"During the year ended 30 September 2006, the Group breached a number of financial covenants under its Senior and Mezzanine Debt borrowing facilities, under which a total of approximately £93m was drawn at 15 January 2007. The Group remains in breach of financial covenants and did not make an amortisation payment of £5m under the Senior Debt facilities which was due on 30 September 2006.

The principal borrower under the Senior and Mezzanine Debt is Danoptra Limited but the Company has granted cross-guarantees and security in support of the borrowing by Danoptra Limited.

Notwithstanding the various events of default, since 30 September 2006, the various lenders, whilst reserving their rights under the various loan documents, have not declared the loans due and payable and have permitted normal operations to continue within reduced overall limits. The Directors of Danoptra are in discussions with the Senior and Mezzanine Debt lenders as well as the lenders of the 2012 and 2013 Deep Discounted Bonds about a number of matters which we believe are likely to lead to a solvent recapitalisation or reorganisation of the Group as a whole.

The solvent recapitalisation or reorganisation is expected to involve additional funding for the Group together with the rescheduling of existing debt to enable the Group to operate in line with the revised budget for the year ending 30 September 2007 and projections for the years ending 30 September 2008 and 2009. The Directors of Danoptra expect an agreement to be reached in the first quarter of 2007.

In addition, the directors of Danoptra are negotiating with the trustees of the Group's pension schemes on arrangements to meet current funding deficits and expect these will be concluded at the same time as the recapitalisation of the Group."

The Directors, having considered all the circumstances and having made due enquiry, including taking professional advice, believe it is appropriate that the Company's financial statements are prepared on a going concern basis. The use of the going concern basis assumes that there will be a solvent recapitalisation or reorganisation of the Group which will place the Company on a viable footing for the future.

The Directors acknowledge that the prospects of a solvent recapitalisation or reorganisation of the Group, although good, remain uncertain. In the event that it was not achieved, and consequently the going concern basis was no longer appropriate, adjustments would be required to the financial statements to reflect these different circumstances, including those to write down assets to their recoverable value, to reclassify fixed assets as current assets and to provide for any further liabilities that may arise. It is not practicable to quantify such adjustments.

# Danoptra Limited

## Notes to the financial statements for the year ended 30 September 2005

### 3 Directors' emoluments and employee information

The company had no employees other than directors during the year. No remuneration was paid to the directors of Danoptra Limited (2004: £nil). Details of the remuneration of the directors is given in the financial statements of Danoptra Holdings Limited, the ultimate parent company. Retirement benefit's are accruing to the directors under the parent company's defined benefit scheme. Retirement benefits are accruing to the directors under the parent company's defined benefit scheme.

### 4 Exceptional administrative expenses

	Year ended 30 September 2005 £'000	Year ended 30 September 2004 £'000
Provision for impairment of investments (see note 7)	75,610	-
	75,610	-

### 5 Net interest payable and other finance charges

	Year ended 30 September 2005 £'000	Year ended 30 September 2004 £'000
Interest received on deposits:		
<i>Inter company interest</i>	59	100
Interest payable:		
On bank overdrafts and other loans repayable within 5 years	(5,998)	(3,087)
On bank overdrafts and other loans repayable over 5 years	(1,980)	(3,214)
On deep discounted bonds	(7,059)	(5,718)
Amortisation of debt issue costs	(716)	(524)
	(15,694)	(12,443)

# Danoptra Limited

## Notes to the financial statements for the year ended 30 September 2005 (continued)

### 6 Tax on loss on ordinary activities

	Year ended 30 September 2005 £'000	Year ended 30 September 2004 £'000
The tax credit based on the results for the period comprises:		
UK corporation tax at 30% (2004: 30%)		
Current	3,422	3,809
Adjustment in respect of prior year	54	165
Current tax credit	3,476	3,974

The factors affecting the current tax credit for the period are explained below:

	Year ended 30 September 2005 £'000	Year ended 30 September 2004 £'000
Loss on ordinary activities before tax	91,646	12,917
Tax on ordinary activities at the UK corporation tax rate of 30%	27,494	3,875
Effects of:		
Expenses not deductible	(22,683)	(9)
Movement on deferred tax asset not recognised	(1,389)	(57)
Adjustment in respect of prior year	54	165
Current tax credit for the period	3,476	3,974

The company has an unrecognised deferred tax asset of £Nil (2004: £57,000) in respect of tax losses.

# Danoptra Limited

## Notes to the financial statements for the year ended 30 September 2005 (continued)

### 7 Fixed asset investments

	£'000
<b>Cost</b>	
At 1 October 2004	81,017
Transfer from subsidiary undertaking	3,544
Acquisition in the year	21,642
<b>At 30 September 2005</b>	<b>106,203</b>
<b>Amounts provided</b>	
At 1 October 2004	-
Provision for impairment	75,610
<b>At 30 September 2005</b>	<b>75,610</b>
<b>Net book value</b>	
<b>At 30 September 2005</b>	<b>30,593</b>

The carrying value of investments has been reviewed by the directors and based, as appropriate, on their net asset values or their anticipated future cash flows from trading operations in the foreseeable future discounted at 10%, the board has decided to recognise an impairment charge of £75,610,000, reducing the carrying value of the investments at the balance sheet date to £30,593,000.

	Activity	Description of shares	% Holding	Country of operation and registration or incorporation
<b>Held directly by Danoptra Limited</b>				
Kunick Limited	Holding company	Ordinary	100	England
Precis (928) Limited	Holding company	Ordinary	100	England
<b>Held directly by Kunick Ltd</b>				
Gamestec Leisure Limited	Amusement machines	Ordinary	100	England
Harrogate Estates Limited	Residential properties	Ordinary	100	England
Kunick Investments Limited	Holding company	Ordinary	100	England
Games Network Limited	Amusement machines	Ordinary	100	England
Leisure Connection (Holdings) Limited	Holding company	Ordinary	100	England

At 30 September 2004, Games Network Limited was considered to be a subsidiary of Kunick Limited as Kunick's effective holding of 47% arose from a direct shareholding of 33% and an indirect shareholding of 14% held through its joint venture, Precis (928) Limited. In addition, Kunick Limited holds the casting vote on the Board thereby giving control of the Board. On 5 January 2005, following the acquisition of minority interests in Precis (928) Limited and Bell-Fruit Group Limited, Games Network Limited became a 67% subsidiary. Shortly after this acquisition, Danoptra Limited acquired the whole of the share capital of Precis (928) Limited from Kunick Limited. On 16 May 2005, Kunick Limited acquired the remaining 33% of Games Network Limited not previously owned by the Group. As a consequence, Games Network Limited became a wholly owned subsidiary.

The company has taken advantage of section 228 of the Companies Act 1985, which means that consolidated financial statements have not been prepared.

# Danoptra Limited

## Notes to the financial statements for the year ended 30 September 2005 (continued)

### 8 Debtors

	30 September 2005 £'000	30 September 2004 £'000
<b>Amounts falling due within one year</b>		
Cash at bank	-	239
Prepayments and accrued income	45	45
Amounts owed by subsidiary undertakings	1,627	56,340
	<b>1,672</b>	<b>56,624</b>
<b>Amounts falling due after more than one year</b>		
Amounts owed by subsidiary undertakings	41,409	-

### 9 Creditors: amounts falling due within one year

	30 September 2005 £'000	30 September 2004 £'000
Bank overdrafts	51	-
Bank loans	10,275	12,159
Trade creditors	-	35
Amounts owed to subsidiary undertaking	344	344
Other creditors	1,674	105
Accruals and deferred income	2,345	1,902
	<b>14,689</b>	<b>14,545</b>

Bank overdrafts are secured by an unlimited cross party guarantee (see note 14).

# Danoptra Limited

## Notes to the financial statements for the year ended 30 September 2005 (continued)

### 10 Creditors: amounts falling due after more than one year

	30 September 2005 £'000	30 September 2004 £'000
Bank loans	75,652	67,150
Deep discounted bonds	86,069	73,633
Amounts owed to parent company	3,121	-
	<b>164,842</b>	<b>140,783</b>

Borrowings are repayable as follows:

	30 September 2005 £'000	30 September 2004 £'000
<b>Bank loans, overdrafts, and other loans</b>		
Between one and two years	12,289	8,217
Between two and five years by instalments	46,614	27,764
More than five years	102,818	104,802
In more than one year	161,721	140,783
<b>Bank loans, overdrafts and other loans repayable in less than one year (note 9)</b>	10,275	12,159
<b>Total</b>	<b>171,996</b>	<b>152,942</b>

# Danoptra Limited

## Notes to the financial statements for the year ended 30 September 2005 (continued)

### 10 Creditors: amounts falling due after more than one year (continued)

Details of borrowings are as follows:

	30 September 2005 £'000	30 September 2004 £'000
<b>Bank loans (secured):</b>		
Tranche A term loan repayable by instalments every six months which commenced on 31 January 2003. The instalments vary over the life of the loan, but result in full repayment on 30 September 2009. Interest is payable at 2.25% (plus mandatory costs) over LIBOR	32,689	36,106
Tranche B term loan repayable in 2 equal instalments on 31 March 2010 and 30 September 2010. Interest is payable at 2.75% (plus mandatory costs) over LIBOR	23,272	15,000
Tranche C term loan repayable by instalments every six months which commenced on 31 December 2004. The instalments vary over the life of the loan, but result in final repayment on 30 September 2009. Interest is payable at 2.25% (plus mandatory costs) over LIBOR	8,059	9,652
Tranche D term loan repayable by instalments every six months which commenced on 30 September 2005. The instalments vary over the life of the loan, but result in final repayment on 30 September 2009. Interest is payable at 2.25% (plus mandatory costs) over LIBOR.	7,603	-
Mezzanine term loan repayable 31 March 2011. Interest accrues at 7% (plus mandatory costs) over LIBOR. Interest is capitalised at a rate of 3.5% with the balance being paid.	16,749	16,169
Revolving credit facility repayable 30 June 2009. Interest is payable at 2.25% (plus mandatory costs) over LIBOR.	-	4,294
<b>Deep Discounted Bond:</b>		
Bonds with a nominal value of:		
(a) £114,140,513 are repayable on 25 July 2012		
(b) £34,750,292 are repayable on 9 February 2013		
(c) £10,456,041 are repayable on 30 December 2012		
Interest accrues cumulatively at 9% p.a.	87,423	75,114
<b>Loan notes:</b>		
Guaranteed Loan Notes repaid on 30 September 2005	-	
Less: Total issue costs after amortisation in the period of £716,000	(3,799)	(3,544)
	<b>171,996</b>	<b>152,942</b>

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

# Danoptra Limited

## Notes to the financial statements for the year ended 30 September 2005 (continued)

### 11 Called up share capital

	30 September 2005 £'000	30 September 2004 £'000
<b>Authorised, allotted, called up and fully paid</b>		
1,000 ordinary shares of £1 each	1	1
<b>Issued, called up and fully paid</b>		
1 ordinary share of £1	-	-

### 12 Profit and loss account

	Profit and loss account £'000
At 1 October 2004	(17,687)
Retained loss for the year	(88,170)
<b>At 30 September 2005</b>	<b>(105,857)</b>

### 13 Reconciliation of movements in equity shareholders' deficit

	30 September 2005 £'000	30 September 2004 £'000
Retained loss for the financial year	(88,170)	(8,943)
Net increase in equity shareholders' deficit	(88,170)	(8,943)
Opening equity shareholders' deficit	(17,687)	(8,744)
<b>Closing equity shareholders' deficit</b>	<b>(105,857)</b>	<b>(17,687)</b>

### 14 Contingent liabilities

The company guarantees the borrowings and overdrafts of certain companies within the Danoptra Holdings Limited group which at 30 September 2005 amounted to approximately £95,095,000 (2004: £88,558,000). As of 15 January 2007, the gross contingent liability under the guarantee was approximately £93,000,000.

## **Danoptra Limited**

### **Notes to the financial statements for the year ended 30 September 2005 (continued)**

#### **15 Related party disclosures**

As a wholly owned subsidiary undertaking of Danoptra Holdings Limited, the company has taken advantage of the exemption in FRS 8 "Related Party Disclosures" not to disclose transactions with other members of the group headed by Danoptra Holdings Limited since that company produces financial statements which are available to the public and which include Danoptra Limited.

#### **16 Ultimate parent company**

The directors regard Danoptra Holdings Limited, a company registered in England and Wales, as the ultimate parent company and as the ultimate controlling party by virtue of its 100% interest in the equity share capital of the company. Danoptra Holdings Limited is the parent undertaking of the largest and smallest group of which the company is a member and for which group financial statements are drawn up. Copies of the consolidated financial statements may be obtained from The Secretary, Danoptra Holdings Limited, Low Lane, Horsforth, Leeds, LS18 4ER.