

Inspired Gaming (UK) Limited

Annual report and financial statements  
for the 52 weeks ended 26 September 2009

Registered number 3565640



# **Inspired Gaming (UK) Limited**

## **Annual report and financial statements for the 52 weeks ended 26 September 2009**

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# **Inspired Gaming (UK) Limited**

## **Directors and advisors**

### **Directors**

J W O'Halleran  
L L Alvarez  
D G Wilson  
A D S Hodges

### **Solicitors**

Nabarro LLP  
Lacon House  
84 Theobald's Road  
London WC1X 8RW

### **Bankers**

Royal Bank of Scotland plc  
PO Box 39952  
2 ½ Devonshire Square  
London  
EC2M 4XJ

### **Company Secretary and registered office**

S J Holmes  
3 The Maltings  
Wetmore Road  
Burton-on-Trent  
Staffordshire  
DE14 1SE

### **Statutory auditors**

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

# **Inspired Gaming (UK) Limited**

## **Directors' report for the 52 weeks ended 26 September 2009**

The directors submit their report and the audited financial statements for the 52 weeks ended 26 September 2009

### **Principal activities**

The principal activities of Inspired Gaming (UK) Limited ("the Company") are the management (for leisure retailers) of electronic entertainment, including gaming and amusement machines. The Company is transforming itself from the largest operator of traditional analogue machines into the leading provider of digital Server Based Gaming (SBG) terminals, and also acts as an intermediate holding company within the Inspired Gaming Group plc group.

### **Business Review**

The results for the period show a loss of £1,595,000 (2008 loss of £23,447,000). The Company's results form part of the UK Betting and Street Gaming, UK Casino and Bingo and UK Leisure divisions of Inspired Gaming Group plc, and further analysis of trading performance is provided on pages 3 to 16 of the Group's annual report which does not form a part of this report.

The directors do not recommend payment of a dividend (2008: £nil).

### **Group restructuring**

On 7th July 2008, Inspired Gaming Group plc announced that it had agreed terms with RLMS Acquisitions Ltd under which they would acquire the business of the Group's Pub Division and enter into a licensing agreement to use the Group's SBP technology in its business of providing, servicing and operating gaming machines in public houses. The Pub Division results have therefore been shown as discontinued operations in the prior year.

### **Future outlook**

The directors consider that the Company is well placed to perform strongly in the future. The directors of Inspired Gaming Group plc continually review strategic options, which may include future restructuring of Inspired Gaming (UK) Limited.

### **Principal risks and uncertainties**

The management of the business and the execution of the Group's strategy is subject to a number of risks. Interest rate, currency and liquidity risks are managed at a group level rather than at a company level. Credit risk arises on trade receivables and policies and procedures exist to ensure that customers have an appropriate credit history.

The key business risks and uncertainties affecting the Group include competitor actions, market acceptance of new products and regulatory developments. Further discussion of these risks in the context of the Group as a whole, and also a description of the Group's financial risk management objectives and policies, is provided on pages 13 to 15 of the Group's annual report, which does not form a part of this report.

# **Inspired Gaming (UK) Limited**

## **Directors' report for the 52 weeks ended 26 September 2009 (continued)**

### **Key performance indicators (KPIs)**

The Directors of Inspired Gaming Group plc manage the Group's operations on a divisional basis. For this reason, the Company's directors believe that analysis of KPI's for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of Inspired Gaming (UK) Limited. The development, performance and position of the company are discussed on pages 3 to 16 of the Group's annual report which does not form a part of this report.

### **Creditor payment policy and practice**

It is the Company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Company and its suppliers, provided that all trading terms and conditions have been complied with. Trade creditors at the period end represented 68 days (2008: 69 days).

### **Directors**

The following served as directors of the Company during the financial period and to the date of signing these financial statements:

R B Hoyle	(resigned 30 September 2008)
J W O'Halloran	
L L Alvarez	
N V Crowley	(resigned 26 March 2009)
D G Wilson	(appointed 2 April 2009)
A D S Hodges	(appointed 8 April 2009)

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the Financial Year directors' and officers' liability insurance in respect of itself and its Directors.

### **Research and Development**

The main focus of development for the Group is in the areas of software, platform and new machine projects. Total development costs expensed to the profit and loss account in the Financial Year were £2.4m (2008: £3.2m), with a further £2.6m capitalised (2008: £3.7m).

### **Disabled employees**

The Company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the Company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

### **Employee communications**

The Company places considerable value on the involvement of its employees and operates the practice of keeping 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, publications and other forms of communication.

Inspired Gaming Group plc established an employee trust in 2006 to facilitate the holding of shares for the employee share schemes. The Trust purchases shares from the Group from time to time, using funds provided by the Group based on expectations of future requirements. Dividends are waived by the Trust. At 26 September 2009 the Trustees, Ansbacher Trustees (Jersey) Limited held nil (2008: nil) shares in the Group.

# Inspired Gaming (UK) Limited

## Directors' report for the 52 weeks ended 26 September 2009 (continued)

### Charitable donations

During the period the Company made charitable donations of £3,000 (2008 £4,000) The Company donated a sum of £2,308 to Angels Quest by purchasing a table at their annual ball and donating the places at that table to parents of special needs children Angels Quest is an organisation based in Dublin, which seeks to provide purpose designed respite care facilities for children and young adults with intellectual and physical disabilities, providing a reliable home-from-home to give families a much needed break from the demands of providing ongoing care in the home for special needs children

### Statement of directors' responsibilities in respect of the Annual Report and the financial statements

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

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

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

### Disclosure of information to auditors

Each of the Directors at the date of approval of this report confirms that, so far as the Director is aware, there is no relevant audit information (being information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware In addition, each Director confirms that he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

### Independent auditors

A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting

On behalf of the Board



J W O'Halleran  
Director

Date 14 June 2010

## **Independent auditors' report to the members of Inspired Gaming (UK) Limited**

We have audited the financial statements of Inspired Gaming (UK) Limited for the 52 weeks ended 26 September 2009 which comprise the Profit and loss account, the Balance sheet, the Reconciliation of movements in shareholder's funds / deficit, the Statement of total recognised gains and losses, 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 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 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 statements

- give a true and fair view of the state of the company's affairs as at 26 September 2009 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

### **Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



John Minards (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
East Midlands

18 June 2010

# Inspired Gaming (UK) Limited

Registered number 3565640

## Profit and loss account for the 52 weeks ended 26 September 2009

		52 weeks ended 26 September 2009			52 weeks ended 27 September 2008		
	Note	Before goodwill amortisation & exceptional items £'000	Goodwill amortisation & exceptional items £'000	Total £'000	Before goodwill amortisation & exceptional items £'000	Goodwill amortisation & exceptional items £'000	Total £'000
<b>Turnover</b>							
Continuing business		82,022	-	82,022	80,881	-	80,881
Discontinued business		-	-	-	40,102	-	40,102
<b>Total turnover</b>	2	<b>82,022</b>	<b>-</b>	<b>82,022</b>	<b>120,983</b>	<b>-</b>	<b>120,983</b>
Operating costs	3	(72,424)	438	(71,986)	(106,612)	(34,973)	(141,585)
<b>Operating profit/(loss)</b>							
Continuing business		9,598	(1,373)	8,225	12,479	(707)	11,772
Discontinued business		-	1,811	1,811	1,892	(34,266)	(32,374)
<b>Total operating profit/(loss)</b>	3	<b>9,598</b>	<b>438</b>	<b>10,036</b>	<b>14,371</b>	<b>(34,973)</b>	<b>(20,602)</b>
Loss on sale of fixed asset investment		-	-	-	-	(435)	(435)
<b>Net Interest payable</b>							
Interest payable and similar charges		(22,501)	-	(22,501)	(22,291)	-	(22,291)
Interest receivable and similar income		8,825	-	8,825	9,953	-	9,953
<b>Total net interest payable</b>	5	<b>(13,676)</b>	<b>-</b>	<b>(13,676)</b>	<b>(12,338)</b>	<b>-</b>	<b>(12,338)</b>
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>(4,078)</b>	<b>438</b>	<b>(3,640)</b>	<b>2,033</b>	<b>(35,408)</b>	<b>(33,375)</b>
Tax on (loss)/profit on ordinary activities	6	1,632	413	2,045	(299)	10,227	9,928
<b>(Loss) / profit for the financial period</b>	17	<b>(2,446)</b>	<b>851</b>	<b>(1,595)</b>	<b>1,734</b>	<b>(25,181)</b>	<b>(23,447)</b>

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



# Inspired Gaming (UK) Limited

Registered number 3565640

## Balance sheet

as at 26 September 2009

	Note	26 September 2009 £'000	27 September 2008 £'000
<b>Assets employed:</b>			
<b>Fixed assets</b>			
Intangible assets	7	18,191	19,149
Tangible assets	8	47,545	55,892
Investments	9	20,442	20,082
		<b>86,178</b>	<b>95,123</b>
<b>Current assets</b>			
Stocks	10	3,468	4,276
Debtors - including £27,510,000 due after more than one year (2008 £28,544,000)	11	123,217	108,143
Investments	9	-	-
Cash at bank and in hand	12	8,870	7,329
		<b>135,555</b>	<b>119,748</b>
Creditors amounts falling due within one year	13	(44,242)	(53,270)
<b>Net current assets</b>		<b>91,313</b>	<b>66,478</b>
<b>Total assets less current liabilities</b>		<b>177,491</b>	<b>161,601</b>
Creditors amounts falling due after more than one year	14	(159,853)	(197,355)
Provisions for liabilities and charges	15	(4,166)	(12,404)
<b>Net assets/(liabilities) excluding pension asset/(liability)</b>		<b>13,472</b>	<b>(48,158)</b>
Net pension (liability)/asset	19	(4,892)	670
<b>Net assets/(liabilities) including pension (liability)/asset</b>		<b>8,580</b>	<b>(47,488)</b>
<b>Capital and reserves</b>			
Called up share capital	16	10	10
Share premium account	17	2,093	2,093
Other reserve	17	65,000	-
Profit and loss reserve	17	(58,523)	(49,591)
<b>Total shareholder's funds / (deficit)</b>		<b>8,580</b>	<b>(47,488)</b>

The financial statements including notes 1 to 21 were approved by the Board of Directors on 14 June 2010 and were signed on its behalf by

  
J W O'Halleran  
Director

Date 14 June 2010

# Inspired Gaming (UK) Limited

## Reconciliation of movements in shareholder's funds / (deficit) for the 52 weeks ended 26 September 2009

	52 weeks ended 26 September 2009	52 weeks ended 27 September 2008
	£'000	£'000
Loss for the financial period	(1,595)	(23,447)
Actuarial loss recognised in the pension scheme (note 19)	(10,190)	(673)
Deferred tax credit relating to actuarial loss on retirement benefit obligations	2,853	188
Capital contribution	65,000	-
<b>Net increase / (decrease) in shareholder's funds</b>	<b>56,068</b>	<b>(23,932)</b>
Opening shareholder's deficit	(47,488)	(23,556)
<b>Closing shareholder's funds / (deficit)</b>	<b>8,580</b>	<b>(47,488)</b>

## Statement of total recognised gains and losses for the 52 weeks ended 26 September 2009

	52 weeks ended 26 September 2009	52 weeks ended 27 September 2008
	£'000	£'000
Loss for the financial period	(1,595)	(23,447)
Actuarial loss recognised in the pension scheme (note 19)	(10,190)	(673)
Deferred tax credit relating to actuarial loss on retirement benefit obligations	2,853	188
<b>Total losses recognised since last annual report</b>	<b>(8,932)</b>	<b>(23,932)</b>

# **Inspired Gaming (UK) Limited**

## **Notes to the financial statements for the 52 weeks ended 26 September 2009**

### **1 Accounting policies**

#### **Basis of preparation**

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. A summary of the most significant accounting policies, which have been applied consistently, are set out below.

#### **Consolidation**

The financial statements contain information about the Company as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated accounts of its ultimate parent company.

#### **Accounting reference date**

The Company's accounting reference date is 30 September. Financial statements are drawn up for a 52 week period ending within seven days of the accounting reference date, as permitted by the Companies Act 2006, except where this falls beyond seven days of the accounting reference date, at which time a 53 week period is used.

#### **Turnover**

Turnover represents the amounts receivable in the ordinary course of business for goods sold and services provided after deducting discounts, customer incentives and sales taxes. The main revenue streams relate to rental income in respect of machines out on third party sites, along with software licence fee and development income and hardware sales.

#### **Machine Management**

Fixed rental income is recognised on an accrued basis, based upon contracted rental rates. Rentals based upon percentage share of machine take are recognised on an accrued basis, based upon actual machine takings and contracted percentage shares.

#### **Server Based Gaming Software and Services**

Revenue from both the sale of software and the grant of software licences is recognised when the relevant software has been accepted by the customer and the product or licence has been received by the customer.

For fees earned in relation to the development of commissioned software, revenue is recognised when all performance criteria are complete, acceptance is received from the customer and rights to consideration become unconditional. Revenue is recorded in relation to sign-on fees at the point they become unconditional. Where contracts allow for billings based upon the successful completion of pre-defined stages of development, revenue is recognised based upon the specific terms of each contract and the entitlement of the company to the revenue. Where the right to revenue is contingent upon a future rental or licence agreement, revenue is recognised once both the performance criteria and the right to consideration have been met.

Revenue from hardware system sales is recognised once the risks and rewards of ownership have passed to the customer. This is generally deemed to be the point at which the hardware is accepted by the customer and it is probable that economic benefit will flow to the company.

# Inspired Gaming (UK) Limited

## Notes to the financial statements for the 52 weeks ended 26 September 2009 (continued)

### 1 Accounting policies (continued)

#### Server Based Gaming Software and Services (continued)

In all instances, where no further vendor obligations remain and any future products or services are supplied on an arm's length basis, the total billed amount is recognised as turnover. Where significant vendor obligation remains, a proportion of the revenue is deferred and only recognised once these obligations have been satisfied. Similarly where future products and services are supplied at a discount, a proportion is deferred over the period to which the discount relates.

For software covered by maintenance and service contracts, revenue for the contracts is credited to the profit and loss account over the period to which the contract relates.

Professional services, such as implementation, training and consultancy are recognised when the services are performed or accepted by the client.

#### Tangible fixed assets

All tangible fixed assets are stated at cost less depreciation. Cost includes the original purchase price of the asset and the costs attributed to bringing the asset to its working condition for its intended use. Volume rebates receivable on machine purchases are offset against the cost of the underlying machines.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less the estimated residual value. It is based on prices prevailing at the date of acquisition or revaluation, in order to write off the cost of each asset evenly over its expected useful life as follows:

Leasehold buildings	-	over the lease term
Plant and machinery	-	over 4 to 8 years
Information technology equipment	-	over 3 to 5 years
Amusement machines - analogue	-	over 2 to 8 years
Amusement machines – digital	-	over 4 to 6 years
Motor vehicles	-	over 3 to 5 years

The directors consider the net recoverable value of amusement machines on an annual basis and where applicable increase the depreciation charge accordingly.

In light of the useful economic life of amusement machines, any difference between proceeds and net book value on sale is considered to be an adjustment to depreciation.

#### Impairment

Tangible and intangible fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (identified as an Income Generating Unit 'IGU'). The recoverable amount of the IGU is determined on a value in use computation and where the value in use exceeds the carrying value of the IGU the asset is not impaired, where the carrying amount exceeds the value in use, a provision for impairment is raised. Estimates used in this process are key judgemental estimates in the financial statements.

The cash flow forecasts employed for the value in use computation are extracted from management's budgets and forecasts for a two year period which are approved by senior management and the Board of Directors. The recoverable amount stemming from this exercise represents the present value of the future cash flows inclusive of the terminal values discounted at the Company's weighted average cost of capital with an appropriate

# **Inspired Gaming (UK) Limited**

## **Notes to the financial statements for the 52 weeks ended 26 September 2009 (continued)**

### **1 Accounting policies (continued)**

#### **Impairment (continued)**

adjustment for the risk associated with the relevant IGU. The terminal value is determined by applying a growth rate applicable to the IGU being assessed.

The values applied to each of the key assumptions are derived from a combination of internal and external factors based on historical experience and take into account the stability of cash flows typically associated with the IGU.

#### **Development costs**

Expenditure on research and development of new products is charged to the profit and loss account in the year in which it is incurred with the exception of expenditure on the development of certain major new product projects where the outcome of those projects is assessed as being reasonably certain as regards viability and technical feasibility. Such expenditure is capitalised as an intangible fixed asset and amortised over a period not exceeding five years from the date of first sale or installation of the product.

The length of the amortisation period applied in respect of development costs reflects the expected commercial life of the new product and is between three and five years. The period of amortisation is reviewed annually to ensure that it is still appropriate to the useful economic life of the asset.

#### **Goodwill**

Positive goodwill arising on acquisitions is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life up to a presumed maximum of 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable. If a subsidiary or business is subsequently sold or closed, any goodwill arising on the 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.

#### **Investments**

Investments are stated individually at cost less any provision for permanent diminution in value. Where deferred consideration is payable on an acquisition an assessment is made, based upon the information currently available, of the expected deferred consideration payable. This amount is discounted at a rate which is based upon the company's weighted average cost of capital with appropriate adjustment for the risks associated with the relevant business. Deferred consideration is reassessed at each period end and adjusted for any changes in the expected amount payable.

#### **Foreign currencies**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward foreign currency contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or, if appropriate, at the forward contract rate. All differences are taken to the profit and loss account.

#### **Stocks**

Stocks are stated at the lower of cost and net realisable value on a weighted average basis, due allowance being made for obsolete and slow moving items.

# **Inspired Gaming (UK) Limited**

## **Notes to the financial statements for the 52 weeks ended 26 September 2009 (continued)**

### **1 Accounting policies (continued)**

#### **Government grants**

Government grants of a revenue nature are credited to the profit and loss account so as to match them with the expenditure to which they relate. Grants received in respect of capital expenditure are credited to a deferred income account and are released to the profit and loss account over the expected useful lives of the relevant assets by equal annual instalments.

#### **Cash**

Cash includes cash floats in gaming machines on third party sites, as well as cash at bank or in hand and any restricted cash.

#### **Provisions for liabilities and charges**

Where the unavoidable costs of meeting the Company's obligations under contractual arrangements exceeds the economic benefits, then the present net obligations are recognised as a provision for onerous contracts. Provisions for other liabilities, including reorganisation expenditure, are recognised when there is a legal or constructive obligation to settle such liabilities.

#### **Leasing and hire purchase commitments**

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the Company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged in the profit and loss account over the years of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight-line basis over the lease term. Lease incentives are capitalised and released to the profit and loss account over the life of the underlying lease.

#### **Deferred taxation**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events 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 against which to recover carried forward tax losses and from which the future reversal of 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 an undiscounted basis.

# **Inspired Gaming (UK) Limited**

## **Notes to the financial statements for the 52 weeks ended 26 September 2009 (continued)**

### **1 Accounting policies (continued)**

#### **Pensions**

The Company operates a combined pension scheme which comprises a Defined Benefit section and a Defined Contribution section. The assets of the schemes are held in separate trustee administered funds. On a Financial Reporting Standard (FRS) 17 'Retirement benefits' basis, at 26 September 2009 the plan had a deficit of £4,892,000 (2008 surplus of £670,000)

#### **Defined Benefit Section**

Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and are discounted at the rate of return of a high quality corporate bond of equivalent term to the scheme liabilities. The current service costs and gains and losses on settlement and curtailments are charges to operating profit. Past service costs are recognised in the profit and loss account if the benefits have vested or if they have not vested, over the period until vesting occurs. The interest cost and the expected return on assets are included as other financing income or interest payable. Actuarial gains and losses are recognised in the statement of total recognised gains and losses. The surplus, to the extent that it is considered recoverable, or deficit is recognised in full and presented on the face of the balance sheet net of any related deferred tax.

#### **Defined Contribution Section**

Contributions are charged to the profit and loss account as they become payable.

#### **Exceptional items**

Exceptional items are disclosed in the financial statements in accordance with FRS 3 'Reporting Financial Performance' and comprise material non-recurring items which derive from events or transactions that fall within the ordinary activities of the reporting entity.

#### **Cash flow statement**

Under FRS 1 (revised 1996), the Company is exempt from the requirement to prepare a cash flow statement on the grounds that the ultimate parent undertaking, Inspired Gaming Group plc, includes the company in its own published consolidated financial statements.

#### **Estimation techniques**

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenditure in the reporting period. Actual results could differ from these estimates. The estimates and assumptions that have the most significant effect on the amounts recognised in the financial statements are:

**Impairment** – the Company determines whether goodwill is impaired on an annual basis or more frequently if there are indicators of impairment. Other non-current assets are tested for impairment if there are indicators of impairment. Impairment testing requires an estimate of future cash flows and the choice of a suitable discount rate. These calculations require the use of estimates which are inherently judgemental and susceptible to change because they require the Company to make assumptions about future supply and demand, as well as economic and market conditions.

# **Inspired Gaming (UK) Limited**

## **Notes to the financial statements for the 52 weeks ended 26 September 2009 (continued)**

### **1 Accounting policies (continued)**

#### **Estimation techniques (continued)**

Pensions – the cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases.

Deferred tax- deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised. Judgement is required as to the amount that can be recognised based on the likely amount and timing of future taxable profits, taking into account expected tax planning.

Fixed and intangible assets – The Company assess annually whether the useful economic life and residual values attached to its fixed and intangible assets are appropriate. These estimates require management to make judgements based on historic trends and current market conditions.

#### **Share based payment**

The Inspired Gaming Group plc group of companies operates a number of equity-settled, share based compensation plans that are awarded to employees of the group. In accordance with UITF Abstract 44 'Group and treasury share transactions' a charge is recognised in the profit and loss account of the subsidiary that benefits from the services of recipient with a corresponding credit made to reserves. This is offset by any recharge made by the parent company.

The charge is based on the difference between the fair value of the instrument at the date of grant of rights, and the amount paid or payable by the holder of the instrument to realise the benefit of the rights. This charge is spread over the period until the participants become unconditionally entitled to benefit. Where there are non-market vesting conditions, an estimate is made of the amount of instruments that will vest. This estimate is reviewed annually, and the charge recognised adjusted as required. Where the amount paid or payable by the holder of the instrument, to realise the benefit of the rights, is considered to exceed the fair value of the instrument, no charge is made. Full details of the schemes are given in the Inspired Gaming Group plc accounts.

### **2 Turnover**

All continuing turnover of £82,022,000 (2008 £80,881,000) relates to one principal activity, management (for leisure retailers) of electronic entertainment, including gaming and amusement machines, in the United Kingdom and Eire.

Turnover in respect of discontinued business £nil (2008 £40,102,000) relates to the pubs business that was sold in July 2008.



# Inspired Gaming (UK) Limited

## Notes to the financial statements for the 52 weeks ended 26 September 2009 (continued)

### 3 Operating profit/(loss)

Operating profit/(loss) is arrived at as follows

	52 weeks ended 26 September 2009			52 weeks ended 27 September 2008			
	Continuing business before goodwill & exceptional items	Goodwill & exceptional items	Total	Continuing business before goodwill & exceptional items	Discontinued business before goodwill and exceptional items	Goodwill & exceptional items	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Turnover	82,022	-	82,022	80,881	40,102	-	120,983
Staff costs	(23,898)	-	(23,898)	(22,765)	(21,825)	(1,216)	(45,806)
Depreciation of tangible and intangible fixed assets							
Owned assets	(20,236)	-	(20,236)	(11,279)	-	(18,989)	(30,268)
Leased assets	(595)	-	(595)	(9,203)	-	-	(9,203)
Amortisation of development costs and licences	(3,625)	-	(3,625)	(2,924)	-	-	(2,924)
Amortisation of goodwill	-	(659)	(659)	-	-	(707)	(707)
Total depreciation of tangible and intangible fixed assets	(24,456)	(659)	(25,115)	(23,406)	-	(19,696)	(43,102)
Operating leases							
Hire of plant & machinery	(1,161)	-	(1,161)	(1,574)	(1,886)	-	(3,460)
Other operating leases	(1,680)	-	(1,680)	(1,130)	(1,049)	-	(2,179)
Total operating leases	(2,841)	-	(2,841)	(2,704)	(2,935)	-	(5,639)
Research and development	(89)	-	(89)	(144)	-	-	(144)
Other operating (charges)/credits	(21,140)	1,097	(20,043)	(19,383)	(13,450)	(14,061)	(46,894)
Operating profit/(loss)	9,598	438	10,036	12,479	1,892	(34,973)	(20,602)

# Inspired Gaming (UK) Limited

## Notes to the financial statements for the 52 weeks ended 26 September 2009 (continued)

### 3 Operating profit/(loss) (continued)

	52 weeks ended 26 September 2009	52 weeks ended 27 September 2008
	£'000	£'000
<b>Exceptional items</b>		
Restructuring	(619)	-
Transaction fees	(95)	-
Write off intercompany balance	-	(417)
Provision for diminution in value of fixed asset investment	-	(18)
<b>Exceptional items – continuing operations</b>	<b>(714)</b>	<b>(435)</b>
Restructuring – pubs	1,811	(1,321)
Impairment and closure costs	-	(32,945)
<b>Exceptional items – discontinued operations</b>	<b>1,811</b>	<b>(34,266)</b>
	<b>1,097</b>	<b>(34,701)</b>

The tax credit in respect of exceptional items is £413,000 (2008 credit of £10,227,000)

#### Restructuring

The Company has effected a further restructuring to drive additional cost efficiencies. UK restructuring costs primarily relate to the consolidation of the International and UK product management and product development teams along with a reduction in the UK based manufacturing facility.

#### Transaction fees

On 28 July 2009, the Group announced that it had received an approach which may or may not lead to an offer being made for the Group's issued and to be issued share capital. Discussions are now continuing with a number of parties which may or may not lead to an offer being made for the issued and to be issued share capital of the Group or one or more part(s) of the Group's business. The process has resulted in the Group and the Company incurring professional fees including review of its business plans. These costs are one off in nature and have thus been disclosed as exceptional.

#### Write off intercompany balance

Following the decision taken in 2007 to close Inspired Leisure Link Italia S p a (ILLI) the company has fully written off the balance of £417,000 due from ILLI.

#### Provision for diminution in value of fixed asset investment

In 2007 the Company wrote down the current carrying value of its investment in G Matica S r l of £28,000 by £10,000 to its realisable value of £18,000. In view of the current economic climate the directors consider that it is prudent to value this asset to £nil. This has resulted in a write down of £18,000, which has been charged as an exceptional item.

#### Restructuring – Pubs

Prior to the decision to dispose of the pubs business restructuring and redundancy costs totalling £1,321,000 were incurred. In the current period an exceptional credit of £1,811,000 (net of discount unwind charges) has arisen from the successful subletting of vacant properties and reduction of outstanding commitments.

#### Impairment and closure costs

The Pubs Division business was sold to RLMS Acquisitions Limited for £1 on 7 July 2008. The impairment of the assets associated with its business, and the provision for costs associated with the close down of those areas of the Pubs Division business that were not transferred, which include its depot network, are shown below.

# Inspired Gaming (UK) Limited

## Notes to the financial statements for the 52 weeks ended 26 September 2009 (continued)

### 3 Operating profit/(loss) (continued)

	52 weeks ended 26 September 2009  £'000	52 weeks ended 27 September 2008  £'000
Effect of discontinuation on the financial position of the Company		
Goodwill	-	48
Intangible assets	-	2,170
Property, plant and equipment	-	12,790
Inventories	-	1,286
Trade and other receivables / payables	-	16,651
Gross assets and liabilities	-	32,945
Deferred taxation	-	(7,811)
Net assets and liabilities	-	25,134

Auditors' remuneration in respect of audit services were £60,000 (2008 £53,000) Fees paid to the Company's auditors, Pricewaterhouse Coopers and its associates for services other than the statutory audit totalled £50,000 (2008 £58,000)

# Inspired Gaming (UK) Limited

## Notes to the financial statements for the 52 weeks ended 26 September 2009 (continued)

### 4 Staff costs

#### (a) Costs

	52 weeks ended 26 September 2009	52 weeks ended 27 September 2008
	£'000	£'000
Wages and salaries	23,684	44,337
Social security costs	2,396	3,880
Other pension cost (note 19)	646	1,280
	26,726	49,497

Within wages and salaries is a credit of £1,347,000 (2008 £565,000) in respect of share based payment charges  
Wages and salaries amounting to £2,828,000 (2008 £3,691,000) were capitalised during the year

Within wages and salaries and social security costs are £nil (2008 £1,216,000) of costs which relate to exceptional items

#### (b) Average number of employees

	52 weeks ended 26 September 2009	52 weeks ended 27 September 2008
Field Staff	772	1,398
Design and development	139	175
Digital manufacture	37	44
Management and administration	212	424
Average number of employees	1,160	2,041

Employee numbers include directors on service contracts

#### (c) Directors' emoluments

Directors' emoluments were paid in respect of directors of Inspired Gaming (UK) Limited by its ultimate parent company Inspired Gaming Group plc, and are disclosed in the accounts of that company. A recharge of £1,630,000 (2008 £1,343,000) was made from Inspired Gaming Group plc for administration costs borne by that company but it is not possible to separately determine the amount that relates to directors emoluments

# Inspired Gaming (UK) Limited

## Notes to the financial statements for the 52 weeks ended 26 September 2009 (continued)

### 5 Net interest payable

	52 weeks ended 26 September 2009	52 weeks ended 27 September 2008
	£'000	£'000
Interest payable to group undertakings	19,730	18,765
Interest expense on pension scheme liabilities	2,758	2,912
Interest payable on finance leases	3	489
Other interest payable	10	125
Total interest payable	22,501	22,291
Interest receivable from group undertakings	(5,889)	(6,197)
Expected return on pension scheme assets	(2,880)	(3,414)
Bank interest receivable	(56)	(342)
Total interest receivable	(8,825)	(9,953)
Net interest payable	13,676	12,338

The interest payable on finance leases is payable to MAM Services Limited, a subsidiary undertaking

# Inspired Gaming (UK) Limited

## Notes to the financial statements for the 52 weeks ended 26 September 2009 (continued)

### 6 Tax on loss on ordinary activities

	52 weeks ended 26 September 2009	52 weeks ended 27 September 2008
	£'000	£'000
<b>Analysis of tax charge in the 52 weeks</b>		
The taxation charge is based on the (loss)/profit for the 52 weeks at 28% (2008 29%) and comprises		
UK Corporation tax - current year	(1,459)	-
- prior year	(1,474)	334
<b>Total current tax (credit) / charge</b>	<b>(2,933)</b>	<b>334</b>
Deferred taxation - current year	532	(6,506)
- prior year	356	(3,756)
<b>Total deferred tax charge / (credit)</b>	<b>888</b>	<b>(10,262)</b>
<b>Total taxation credit</b>	<b>(2,045)</b>	<b>(9,928)</b>

The movement in deferred taxation is shown in note 11

#### Factors affecting the tax charge for the year

The tax credit for the year is higher (2008 lower) than the standard rate of corporation tax in the UK of 28% (2008 29%) As explained below

	52 weeks ended 26 September 2009	52 weeks ended 27 September 2008
	£'000	£'000
<b>Loss on ordinary activities before tax</b>	<b>(3,640)</b>	<b>(33,375)</b>
Loss on ordinary activities multiplied by standard rate of corporation tax	(1,019)	(9,679)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	469	2,790
Accelerated capital allowances & other timing differences	(909)	6,889
Adjustments to UK corporation tax charge in respect of prior years	(1,474)	334
<b>Current tax (credit)/charge for the year</b>	<b>(2,933)</b>	<b>334</b>

# Inspired Gaming (UK) Limited

## Notes to the financial statements for the 52 weeks ended 26 September 2009 (continued)

### 6 Tax on loss on ordinary activities (continued)

#### Factors that may affect future tax charges:

In the future, goodwill amortisation will continue to represent a disallowable item. The future tax charge will also be impacted by the recognition and utilisation of the Company's deferred tax asset (note 11)

### 7 Intangible fixed assets

	Development costs & licences	Goodwill	Total
	£000	£000	£'000
<b>Cost</b>			
At 27 September 2008	11,163	13,795	24,958
Additions	3,410	-	3,410
Disposals	(763)	-	(763)
<b>At 26 September 2009</b>	<b>13,810</b>	<b>13,795</b>	<b>27,605</b>
<b>Amortisation</b>			
At 27 September 2008	4,558	1,251	5,809
Charge during year	3,625	659	4,284
Disposals	(679)	-	(679)
<b>At 26 September 2009</b>	<b>7,504</b>	<b>1,910</b>	<b>9,414</b>
<b>Net book amount</b>			
<b>At 26 September 2009</b>	<b>6,306</b>	<b>11,885</b>	<b>18,191</b>
At 27 September 2008	6,605	12,544	19,149

In the directors' opinion, based on the nature of the product and the opportunities and growth within the leisure industry, goodwill at 26 September 2009 relates to viable businesses in the long-term which have a useful economic life of at least 20 years. In line with the Company's accounting policy, goodwill is therefore being amortised over 20 years.

# Inspired Gaming (UK) Limited

## Notes to the financial statements for the 52 weeks ended 26 September 2009 (continued)

### 8 Tangible fixed assets

	Leasehold buildings	Amusement machines	Plant & machinery, fixtures and fittings including IT equipment	Total
	£'000	£'000	£'000	£'000
<b>Cost</b>				
At 28 September 2008	392	100,567	19,643	120,602
Additions	-	13,084	266	13,350
Disposals	-	(18,992)	(243)	(19,235)
<b>At 26 September 2009</b>	<b>392</b>	<b>94,659</b>	<b>19,666</b>	<b>114,717</b>
<b>Accumulated depreciation</b>				
At 28 September 2008	65	51,053	13,592	64,710
Charge for the year	35	18,633	2,163	20,831
Disposals	-	(18,126)	(243)	(18,369)
<b>At 26 September 2009</b>	<b>100</b>	<b>51,560</b>	<b>15,512</b>	<b>67,172</b>
<b>Net book amount</b>				
<b>At 26 September 2009</b>	<b>292</b>	<b>43,099</b>	<b>4,154</b>	<b>47,545</b>
At 27 September 2008	327	49,514	6,051	55,892

Included in the net book value of amusement machines is £197,000 (2008 £416,000) held under finance leases between the Company and a subsidiary undertaking

Depreciation on total assets under finance leases during the year was £595,000 (2008 £9,203,000)

All buildings are short leasehold properties



# Inspired Gaming (UK) Limited

## Notes to the financial statements for the 52 weeks ended 26 September 2009 (continued)

### 9 Investments

	Investment in Subsidiaries	Other	Total
	£'000	£'000	£'000
<b>Non-current assets</b>			
<b>Cost</b>			
At 28 September 2008	25,422		25,422
Additions		360	360
<b>26 September 2009</b>	<b>25,422</b>	<b>360</b>	<b>25,782</b>
<b>Provision for impairment</b>			
At 26 September 2009 and at 27 September 2008	5,340	-	5,340
<b>Net book amount</b>			
<b>At 26 September 2009</b>	<b>20,082</b>	<b>360</b>	<b>20,442</b>
At 27 September 2008	20,082	-	20,082
	Cost	Impairment	Net book value
	£'000	£'000	£'000
<b>Current assets</b>			
<b>At 27 September 2008 and 26 September 2009</b>	<b>18</b>	<b>(18)</b>	<b>-</b>

In September 2009 the Group acquired 10% of the ordinary share capital of Max Gaming Limited, a software content development company incorporated in the United Kingdom, for £360,000

# Inspired Gaming (UK) Limited

## Notes to the financial statements for the 52 weeks ended 26 September 2009 (continued)

### 9 Investments (continued)

Details of the investments held by the Company or one of its subsidiaries are as follows

Name of company	Holding	Proportion of voting rights and shares held	Nature of business
<b>Subsidiary undertakings</b>			
Revolution Entertainment Systems Holdings Limited*	Ordinary Shares	100%	Non-trading
Revolution Entertainment Systems Limited	Ordinary Shares	100%	Non-trading
Revolution Entertainment Systems (2) Limited	Ordinary Shares	100%	Non-trading
MAM Services Limited*	Ordinary Shares	100%	Lease company
Leisure Link Electronic Entertainment Limited*	Ordinary shares	100%	Non-trading
Kossway Automatics (Western) Limited*	Ordinary shares	100%	Non-trading
Western Amusements Limited*	Ordinary Shares	100%	Non-trading
Hargreaves Limited*	Ordinary Shares	100%	Non-trading
Sescomatics Limited*	Ordinary Shares	100%	Non-trading
	Deferred Shares	100%	
Inspired Technology Limited*	Ordinary Shares	100%	Non-trading
	Deferred Shares	100%	
Inspired Technology (UK) Limited	Ordinary Shares	100%	Non-trading
Willowmont Limited	Ordinary Shares	100%	Non-trading
Inn Style Leisure Limited*	Ordinary Shares	100%	Non-trading
Leisure Projects Limited*	Ordinary Shares	100%	Non-trading
115CR Limited	Ordinary Shares	100%	Non-trading
<b>Other:</b>			
G Matica S r l*	Ordinary shares	0.5%	Concession to manage Italian digital network
Max Gaming Limited	Ordinary shares	10%	Content software development

\* Held directly by Inspired Gaming (UK) Limited

All group companies are incorporated in England and Wales, with the exceptions of Inspired Technology Limited and Willowmont Limited which are incorporated in Ireland and G Matica S r l which is incorporated in Italy. All non-trading subsidiaries acted during the year as un-disclosed agents for Leisure Link Electronic Entertainment Limited.

# Inspired Gaming (UK) Limited

## Notes to the financial statements for the 52 weeks ended 26 September 2009 (continued)

### 10 Stocks

Stocks represent raw materials, consumables and test machines. The replacement cost of stocks is not materially different to the value at which they are stated in the accounts.

	26 September 2009	27 September 2008
	£'000	£'000
Raw materials and consumables	3,074	3,507
Test machines	394	769
	3,468	4,276

### 11 Debtors

	26 September 2009	27 September 2008
	£'000	£'000
Due within one year		
Trade debtors	16,778	14,965
Corporate taxation – group relief receivable	2,932	-
Deferred tax	1,173	337
Amounts owed by group undertakings	71,858	60,297
Other debtors	2,515	3,656
Prepayments and accrued income	451	344
	95,707	79,599
Due after more than one year		
Deferred taxation	27,510	28,544
	123,217	108,143

The amounts due from group undertakings are unsecured and carry interest at a rate equivalent to the weighted average cost of capital for the Inspired Gaming Group (10.9%). None of this balance is due after more than one year. (2008: £nil)

# Inspired Gaming (UK) Limited

## Notes to the financial statements for the 52 weeks ended 26 September 2009 (continued)

### 11 Debtors (continued)

#### Deferred taxation

#### Recognised

The movement in deferred tax during the period is as follows

	£'000
At 28 September 2008	28,620
Credited to profit and loss account (note 6)	(888)
Movement in deferred tax on pension deficit	2,853
<b>At 26 September 2009</b>	<b>30,585</b>

The Company has recognised and unrecognised deferred tax as follows

	26 September 2009	27 September 2008
	Recognised deferred tax £'000	Recognised deferred tax £'000
Excess of capital allowances over depreciation	14,220	14,557
Short term timing differences	27	124
Losses	14,436	14,200
Deferred tax asset included within current assets	28,683	28,881
Deferred tax on pension deficit / (surplus) (note 19)	1,902	(261)
<b>Total deferred tax asset</b>	<b>30,585</b>	<b>28,620</b>

## Inspired Gaming (UK) Limited

### Notes to the financial statements for the 52 weeks ended 26 September 2009 (continued)

#### 12 Cash at bank and in hand

	26 September 2009	27 September 2008
	£'000	£'000
Cash at bank and in hand	6,438	4,762
Cash in machines	2,432	2,567
	8,870	7,329

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

	26 September 2009	27 September 2008
	£'000	£'000
Trade creditors	8,518	13,482
Amounts owed to group undertakings	14,533	22,647
Other taxation and social security	3,546	2,300
Other creditors	3,198	3,756
Accrued charges and deferred income	14,447	11,085
	44,242	53,270

Other than the above, amounts owed by group undertakings are unsecured and are repayable on demand. Interest is paid annually and calculated at a rate equivalent to the weighted average cost of capital for Inspired Gaming Group plc.

## **Inspired Gaming (UK) Limited**

### **Notes to the financial statements for the 52 weeks ended 26 September 2009 (continued)**

#### **14 Creditors: amounts falling due after more than one year**

	<b>26 September 2009</b>	<b>27 September 2008</b>
	<b>£'000</b>	<b>£'000</b>
Amounts owed to group undertakings	<b>159,853</b>	<b>197,355</b>

Amounts owed to other group undertakings are unsecured. Interest is paid annually and calculated at a rate equivalent to the weighted average cost of capital for the Inspired Gaming Group plc Group, other than balances with dormant subsidiary companies.

# Inspired Gaming (UK) Limited

## Notes to the financial statements for the 52 weeks ended 26 September 2009 (continued)

### 15 Provisions for liabilities and charges

	Company restructuring	Onerous lease costs and dilapidations	Total
	£'000	£'000	£'000
At 27 September 2008	7,571	4,833	12,404
Utilised in the year	(6,117)	(566)	(6,683)
Released during the year	(1,213)	(791)	(2,004)
Discount unwind	-	449	449
<b>At 26 September 2009</b>	<b>241</b>	<b>3,925</b>	<b>4,166</b>

  

Analysis of total provisions	2009	2008
	£'000	£'000
Non-current	2,409	8,399
Current	1,757	4,005
	<b>4,166</b>	<b>12,404</b>

#### Company restructuring

Provisions for Company restructuring arose upon the disposal of the Pubs operations. Provisions totalling £7,571,000 were created in 2008 to accommodate these costs. In the current period an exceptional credit of £1,213,000 has arisen from the successful subletting of vacant properties and reduction of outstanding commitments. The directors anticipate that the remaining provisions will be utilised within one year.

#### Onerous lease costs and dilapidations

The Company has a number of vacant and sub-let properties. Provisions represent costs expected to be borne in respect of lease rentals and dilapidation costs. During 2008 provisions were created in respect of the pubs local depot network and infrastructure not transferred in the July 2008 sale of substantially all of the Pubs Division to RLMS Acquisitions Limited. The directors anticipate that the provisions will be utilised over the years to 2015. Provisions have been discounted at the weighted average cost of capital for the group of 13.4%.

# Inspired Gaming (UK) Limited

## Notes to the financial statements for the 52 weeks ended 26 September 2009 (continued)

### 16 Share capital

	26 September 2009		27 September 2008	
	Authorised	Allotted, called up and fully paid	Authorised	Allotted, called up and fully paid
	Number	Number	Number	Number
'A' ordinary shares of 1p each	230,950	230,950	230,950	230,950
'B' ordinary shares of 1p each	482,647	476,690	482,647	476,690
'C' ordinary shares of 1p each	322,581	322,581	322,581	322,581
	1,036,178	1,030,221	1,036,178	1,030,221

	Allotted, called up and fully paid	
	26 September 2009	27 September 2008
	£	£
'A' ordinary shares of 1p each	2,310	2,310
'B' ordinary shares of 1p each	4,766	4,766
'C' ordinary shares of 1p each	3,226	3,226
	10,302	10,302

Although the 'A', 'B', and 'C' ordinary shares constitute separate classes of shares, they rank pari passu

### 17 Movements on reserves

	Share capital	Share premium account	Other reserve	Profit and loss reserve	Total shareholder's funds
	£'000	£'000	£'000	£'000	£'000
At 28 September 2008	10	2,093	-	(49,591)	(47,488)
Capital contribution	-	-	65,000	-	65,000
Loss for the financial period	-	-	-	(1,595)	(1,595)
Actuarial loss on pension scheme	-	-	-	(7,337)	(7,337)
<b>At 26 September 2009</b>	<b>10</b>	<b>2,093</b>	<b>65,000</b>	<b>(58,523)</b>	<b>8,580</b>

On 22 October 2008 the Board of Inspired Gaming (Holdings) Limited, the Company's immediate parent company, approved a capital contribution of £65,000,000 be made to the Company



## Inspired Gaming (UK) Limited

### Notes to the financial statements for the 52 weeks ended 26 September 2009 (continued)

#### 18 Contingent liabilities and financial commitments

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

	Land and buildings		Vehicles and equipment	
	26 September 2009	27 September 2008	26 September 2009	27 September 2008
	£'000	£'000	£'000	£'000
Operating leases which expire				
Within one year	69	18	220	213
In two to five years	696	921	775	1,904
In over five years	897	351	-	-
	1,662	1,290	995	2,117

One of the Company's parent undertakings has a revolving credit facility and term loan facility at the year end which is secured by a composite guarantee and debenture in favour of GE Capital Structured Finance Group Limited, the facility is secured by fixed and floating charges over the Company, including all property and assets. At the year end secured liabilities amounted to £77,465,000 (2008 £82,311,000)

# Inspired Gaming (UK) Limited

## Notes to the financial statements for the 52 weeks ended 26 September 2009 (continued)

### 19 Pension costs

The Company operates a combined scheme which comprises a Defined Benefit Section and a Defined Contribution Section. A full actuarial valuation was carried out as at 31 March 2006 and updated to 26 September 2009 by Punter Southall & Co, an independent qualified actuary. The disclosures provided are in respect of the 26 September 2009 valuation of the Defined Benefit Section as detailed below. As the Defined Benefit Section is closed, it should be noted that the current service cost will increase as the members of the Scheme approach retirement.

The main actuarial assumptions used are as follows:

	26 September 2009	27 September 2008
	%	%
Rate of increase in salaries - Non Executives	3.40	3.80
- Executives	3.40	3.80
Rate of increase in pensions payment	3.30	3.60
Discount rate	5.60	7.00
Inflation assumption	3.40	3.80

In respect of cash commutation the assumption applied is allowance for 75% of members expected to commute 25% of their pension for a cash lump sum on retirement to do so.

The life expectancy assumptions are 23.1 years (2008: 23.0 years) for a male aged 65 and 25.3 years (2008: 25.1 years) for a female aged 65. These assumptions have been taken from the PCA00Base mortality tables.

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

	Long-term rate of return expected at 26 September 2009	Value at 26 September 2009	Long-term rate of return expected at 27 September 2008	Value at 27 September 2008
	%	£'000	%	£'000
Equities	6.40	28,597	7.50	24,654
Bonds	4.60	16,523	6.10	16,646
Cash	0.50	86	5.00	223
Market value of scheme assets		45,206		41,523
Present value of scheme liabilities		(52,000)		(40,592)
(Deficit)/surplus in scheme		(6,794)		931
Related deferred tax asset		1,902		(261)
Net pension (deficit)/surplus		(4,892)		670

# Inspired Gaming (UK) Limited

## Notes to the financial statements for the 52 weeks ended 26 September 2009 (continued)

### 19 Pension costs (continued)

It has been assumed that equities will return 2.8% per annum in excess of the return available on over 15 year fixed interest gilts. The bonds held are a mixture of gilts and corporate bonds. The return on gilts is assumed to be the return on over 15 year fixed interest gilts and the return on corporate bonds to be 5.6% per annum. The Bank of England base rate at 26 September 2009 was 0.5%. This rate has been assumed to apply to cash holdings. A 0.5% deduction to the expected returns has been made to reflect the expenses met directly by the Scheme.

The updated FRS17 valuation carried out at 28 September 2007 showed a movement from a pension surplus of £931,000 to a deficit of £6,794,000. In the 52 weeks ended 26 September 2009 the company contributed £2,623,000 (2008: £2,370,000) to the Defined Benefit Section of the scheme. It has been agreed with the trustees that contributions will remain at this level for the foreseeable future.

The table below analyses the movement in the scheme's (deficit) /surplus in the period

	Pension assets		Pension liabilities		Net (deficit) / surplus	
	2009	2008	2009	2008	2009	2008
	£'000	£'000	£'000	£'000	£'000	£'000
Beginning of the period	41,523	49,412	(40,592)	(50,398)	931	(986)
Current service cost	-	-	(280)	(828)	(280)	(828)
Interest cost	-	-	(2,758)	(2,912)	(2,758)	(2,912)
Actuarial (losses)/gains	878	(11,886)	(11,068)	11,213	(10,190)	(673)
Employer contributions	2,623	2,370	-	-	2,623	2,370
Employee contributions	42	99	(42)	(99)	-	-
Benefits paid	(2,740)	(1,886)	2,740	1,886	-	-
Expected return on plan assets	2,880	3,414	-	-	2,880	3,414
Curtailments	-	-	-	546	-	546
<b>End of the period</b>	<b>45,206</b>	<b>41,523</b>	<b>(52,000)</b>	<b>(40,592)</b>	<b>(6,794)</b>	<b>931</b>

The actual return on plan assets was a loss of £3,758,000 (2008: a loss of £8,395,000)

The following amounts have been recognised in the performance statements in the period to 26 September 2009

	26 September 2009	27 September 2008
	£'000	£'000
<b>Analysis of amount charged to operating profit in respect of defined benefit schemes</b>		
Current service	280	828
Curtailment	-	(546)
<b>Total charge</b>	<b>280</b>	<b>282</b>

# Inspired Gaming (UK) Limited

## Notes to the financial statements for the 52 weeks ended 26 September 2009 (continued)

### 19 Pension costs (continued)

Analysis of amount credited/(charged) to other finance income/(charges) on defined benefit schemes	26 September 2009	27 September 2008			
	£'000	£'000			
Expected return on pension scheme assets	2,880	3,414			
Interest on pension scheme liabilities	(2,758)	(2,912)			
<b>Net return</b>	<b>122</b>	<b>502</b>			
<b>Analysis of amount recognised in statement of total recognised gains and losses</b>					
Actual return less expected return on pension scheme	878	(11,886)			
Experience losses and gains arising on the scheme liabilities	(1,710)	631			
Changes in the assumptions underlying the present value of the scheme liabilities	(9,358)	10,582			
<b>Actuarial loss</b>	<b>(10,190)</b>	<b>(673)</b>			
<b>History of experience gains and losses</b>					
	26 September 2009	27 September 2008	29 September 2007	30 September 2006	24 September 2005
<b>Defined benefit obligations</b>	(52,000)	(40,592)	(50,398)	(50,023)	(46,009)
Plan assets	45,206	41,523	49,412	43,454	38,003
(Deficit) / surplus	(6,794)	931	(986)	(6,569)	(8,006)
<b>Experience gain/(loss) on scheme liabilities:</b>					
Amount (£'000)	(1,710)	631	(922)	1,353	(365)
Percentage of scheme liabilities	(3.3%)	1.6%	(2.0%)	3.1%	(1.0%)
<b>Experience gain/(loss) on scheme assets:</b>					
Amount (£'000)	878	(11,804)	1,516	2,293	4,820
Percentage of scheme assets	1.9%	(28.4%)	3.1%	5.3%	12.7%
<b>Cumulative actuarial (loss)/gain recognised in the statement of total recognised gains and losses before tax:</b>					
Amount (£'000)	(6,977)	3,213	3,804	(321)	(1,583)

# **Inspired Gaming (UK) Limited**

## **Notes to the financial statements for the 52 weeks ended 26 September 2009 (continued)**

### **19 Pension costs (continued)**

#### **Defined Contribution Scheme**

The pension charge for the period represents contributions paid by the Company to the scheme in respect of Company employees and amounted to £366,000 (2008 £452,000). An accrual existed in respect of pension costs at 27 September 2008 of £100,000 (2008 £133,000).

### **20 Related party transactions**

The Company has taken advantage of the exemption under the Companies Act 2006 not to disclose related party transactions between companies which are wholly owned by the ultimate parent company. During the year the company purchased £362,000 of software content from Max Gaming Limited, a company in which it has a 10% interest (note 9). At the period end an amount of £30,148 was due to Max Gaming Limited by the Company.

### **21 Ultimate parent undertaking and controlling party**

At the year end, the Company's immediate parent company and controlling party was Inspired Gaming (Holdings) Limited, a company incorporated in Great Britain and registered in England and Wales.

At the year end, the Company's ultimate holding company and controlling party was Inspired Gaming Group plc, a company incorporated in Great Britain and registered in England and Wales. Inspired Gaming Group plc is the only company in the group producing consolidated financial statements. The financial statements of Inspired Gaming Group plc can be obtained from the group website at [www.ingg.com](http://www.ingg.com) or the Company Secretary at 3 The Maltings, Wetmore Road, Burton-on-Trent, DE14 1SE.