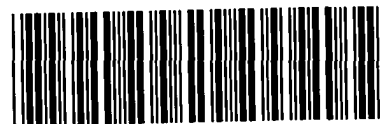


**Company Registration No. 118558 (England and Wales)**

**CASTLE LEISURE LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 25 DECEMBER 2016**

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# CASTLE LEISURE LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	Mr M H Andrews Mr W J Davies Mr J C Harris Mr P Yapp Mrs L M Morgan Mr S D Phillips Mrs K L Brown
<b>Secretary</b>	Mrs L M Morgan
<b>Company number</b>	118558
<b>Registered office</b>	1 City Road Cardiff CF24 3TQ
<b>Auditor</b>	Broomfield & Alexander Limited Ty Derw Lime Tree Court Cardiff Gate Business Park Cardiff UK CF23 8AB

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# CASTLE LEISURE LIMITED

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# CASTLE LEISURE LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 25 DECEMBER 2016

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The Directors present their strategic report for the 52 weeks ended 25 December 2016.

#### Business Review

Club trading performance was satisfactory in a challenging environment. The Company is strongly cash generative with minimal exposure to risk in relation to debtors. Cash flow is monitored daily as part of control procedures.

Trading conditions across the sector remain challenging and competitive. The Directors anticipate further consolidation within the bingo market in the current year.

#### Principle Risks and Uncertainties

The Company's risk management strategy focuses on the minimisation of risks to the Company.

The Principle risks and uncertainties that could impact on the Company and the action taken to mitigate and address and impact are detailed as follows:

**Legislative.** Failure to comply with all relevant legislation, including the Gambling Act 2005 and Licencing Act 2003, could adversely impact the Company's Operator, Premises and Personal licences. All key management and employees undergo ongoing training and certification to ensure the Company remains fully compliant. The Company maintain a strong and open relationship with the Gambling Commission and Local Authorities.

**Economic.** An uncertain economic environment will impact consumer confidence and their disposable income. Our pricing and product offering is continually reviewed to match current market conditions and to improve our customer proposition.

**External Events.** Events such as extreme weather conditions, natural disaster and terrorism threats could adversely affect admission levels and profitability. A risk management committee considers all recognisable risks and prepares contingencies plans to minimise the impact of these events.

**Continuity of Business.** Potential loss of, or damage to, individual clubs could impact continuity of trading. Insurance provisions and disaster recovery procedures are maintained to protect Company assets and information flow, to minimise any disruption to our business operations.

**Liquidity.** Management actively manages the Company's financing requirements to ensure the Company will have sufficient funds to meet it's liabilities. Cash forecasts are reviewed weekly and undergo sensitivity testing.

Key risks are reviewed by management and the Board on a regular basis and, where appropriate, actions are undertaken to mitigate the key risks that are identified.

# CASTLE LEISURE LIMITED

## STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 25 DECEMBER 2016**

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### Financial key performance indicators

Key performance indicators, including admissions and average spends are monitored and interpreted by the management on a daily basis.

### Financial review

Company turnover increased 2% to £30.6m (2015: £30.0m).

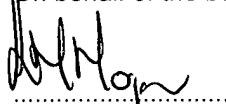
During 2016, the Company incurred capital expenditure of £6.1m, to give a year end fixed asset valuation of £49.2m.

The profit for the 52 weeks, before taxation, amounted to £4,001,123 (2015: £3,401,042).

### Current trading and outlook

The Directors anticipate further consolidation within the bingo market in the current year. Club trading is expected to remain challenging through 2017.

On behalf of the board



Mrs L M Morgan

Director

17 February 2017

# CASTLE LEISURE LIMITED

## DIRECTORS' REPORT

**FOR THE YEAR ENDED 25 DECEMBER 2016**

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The directors present their report and the financial statements for the 52 weeks ended 25 December 2016.

### Principal activities

The Company's principal activity for the period was the operation of bingo clubs, the provision of electronic entertainment and bars and catering services within them. The Directors do not anticipate any likely changes in the company's activities in the current year.

### Business review

Club trading performance was satisfactory in a challenging environment. The Company is strongly cash generative with minimal exposure to risk in relation to debtors. Cash flow is monitored daily as part of control procedures.

Trading conditions across the sector remain challenging and competitive. The Directors anticipate further consolidation within the bingo market in the current year.

In the medium term, industry rationalisation and concentration will lead to opportunities for further market share gains in our regional market and beyond.

We continue to reinvest into our trading operations and implement new innovations and technologies to drive cost efficiencies and long term revenue growth.

New Canton opened late May with weekly admissions and spends ahead of its previous levels.

### Results and dividends

The profit for the 52 weeks, after taxation, amounted to £3,545,857 (2015 - £2,840,486)

The Directors propose a final dividend of 200p per share.

### Directors

The directors serving at the end of the period and their interests in the company's issued share capital were:

	Ordinary shares of £1 each	
	25/12/16	27/12/15
Mark H Andrews	2,117	2,317
Wayne J Davies	2,940	2,440
Lisa Morgan	2,300	1,800
Jeffrey C Harris	30,048	29,782
Simon D Phillips	100	100
Philip J T Yapp	6,872	5,834
Kate L Brown	250	250

The Directors retiring by rotation are Jeffrey C Harris and Mark H Andrews who, being eligible, offer themselves for reappointment.

# CASTLE LEISURE LIMITED

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 25 DECEMBER 2016**

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### Charitable contributions

During the period the Company made charitable donations of £42,500. Additionally the company facilitates through its clubs substantial local charitable and civic fund raising. Total fund raising activities during the period generated over £71,500.

The Company has a policy of making no political donations.

### Corporate social responsibility

The Company is fully committed to ensuring that the licensing objectives, as defined by the Licensing Act 2003 and Gambling Act 2005, are strictly adhered to and complied with.

The Company's risk assessment process takes account of social environmental and ethical matters relevant to the operation of the Company. The Board seeks both to identify and assess any short or long term risks and to identify opportunities to enhance value.

The Company maintains a strong emphasis on Social Responsibility in all aspects of its operation. The Company has been recognised for its support and contribution in this area by both Gamcare and GambleAware.

The company undertakes a series of projects through Business in the Community, benefiting local communities.

### Financial Instruments

The Company's principal financial instruments comprise a bank loan, overdraft and cash. The main purpose of these instruments is to finance the Company's capital expenditure programme and working capital requirements.

No trading in financial instruments are undertaken. The Company's borrowings are in pounds sterling and at the year end were subject to floating rates of interest.

### Human Resources

The Company values the contribution that its employees make to the success of the business. Substantial investment is made in training, development and motivating staff. Particular focus is made on ensuring customer satisfaction through consistent attainment of high standards of care and service.

The involvement of employees in the success of the business is encouraged through company wide communication and consultation. Employees have opportunities to develop through a range of internal and external training programmes and nationally recognised qualifications.

The Company is an Investors in People Gold company. The involvement of employees in the local community is encouraged through our Business in the Community programme.

The Company believes it benefits substantially from having a diverse workforce and endorses the active application of equal opportunities policies and programmes to provide fair and equitable conditions for all employees regardless of sex, family status, religion, creed, colour, ethnic origin, age or disability.

The following table provides a breakdown of the Company Directors and employees as at the financial year end

	Female	Male
Company Directors	2	5
Executives	5	0
General Managers	4	7
All employees	427	234

# **CASTLE LEISURE LIMITED**

## **DIRECTORS' REPORT (CONTINUED)**

**FOR THE YEAR ENDED 25 DECEMBER 2016**

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### **Supplier payment policy**

The Company policy is to strive for excellent working relationships with our suppliers, which encourages mutual business development over the long term. We make payment, usually directly into the supplier's bank account, before the end of the month following invoicing, subject to satisfactory performance of the supplier.

### **Health and safety**

The Company is committed to providing a safe place to work and visit with a culture of excellence in health and safety across the Company. Our vision is not only to ensure full compliance but to lead our sector with a robust and consistent safety culture throughout Castle Leisure.

Our systematic internal approach to all health and safety matters is supported by a rigorous and independent inspection programme by the British Safety Council.

In 2016, Bridgend and Newport Road, Cardiff, clubs were awarded the Sword of Honour by the British Safety Council.

We now, uniquely, have nine clubs holding the Sword of Honour accolade.

The Board reviews monthly reports on health and safety matters.

### **Taxation**

We adopt a clear and transparent approach to taxation and do not pursue aggressive techniques to reduce our tax liability.

The total Corporation tax charge for the year is £587,321 which represents an effective tax rate of 14.7%; 2015: 23.5%.

### **Environment**

The Company takes a long term view of its activities and responsibilities in reducing its environmental impact. Our environmental policy encourages respect for the working environment.

The Company adopts an environmentally responsible attitude in the attainment of our business objectives. Priority is given to energy and water conservation, to recycling waste materials where economically practical and to raising staff and customer awareness of the issues.



# CASTLE LEISURE LIMITED

## DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 25 DECEMBER 2016

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### Statement of directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the 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;
- 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.

### Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board



Mrs L M Morgan

Director

17 February 2017

# CASTLE LEISURE LIMITED

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF CASTLE LEISURE LIMITED

---

We have audited the financial statements of Castle Leisure Limited for the year ended 25 December 2016 set out on pages 9 to 25. 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on pages 3 - 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 25 December 2016 and of its profit 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 matters prescribed by the Companies Act 2006**

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

# CASTLE LEISURE LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF CASTLE LEISURE LIMITED

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### 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.



Ian Thomas BSc FCA DChA (Senior Statutory Auditor)  
for and on behalf of Broomfield & Alexander Limited

17 February 2017

Chartered Accountants  
Statutory Auditor

Ty Derw  
Lime Tree Court  
Cardiff Gate Business Park  
CARDIFF  
UK  
CF23 8AB

# CASTLE LEISURE LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 25 DECEMBER 2016

	Notes	2016 £	2015 £
Turnover	3	30,591,231	29,849,959
Cost of sales		(4,903,379)	(4,490,269)
<b>Gross profit</b>		<b>25,687,852</b>	<b>25,359,690</b>
Administrative expenses		(23,223,821)	(22,199,426)
Other operating income		250,514	439,330
Exceptional item	4	1,449,774	-
<b>Operating profit</b>	5	<b>4,164,319</b>	<b>3,599,594</b>
Interest payable and similar charges	9	(163,196)	(198,552)
<b>Profit before taxation</b>		<b>4,001,123</b>	<b>3,401,042</b>
Taxation	10	(455,266)	(560,238)
<b>Profit for the financial year</b>		<b>3,545,857</b>	<b>2,840,804</b>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

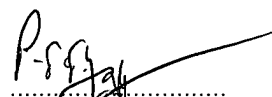
# CASTLE LEISURE LIMITED

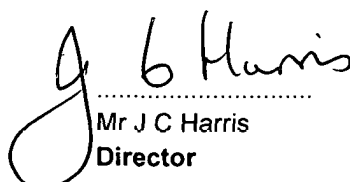
## BALANCE SHEET

AS AT 25 DECEMBER 2016

	Notes	2016 £	£	2015 £	£
<b>Fixed assets</b>					
Tangible assets	12	49,288,181		48,438,185	
<b>Current assets</b>					
Stocks	14	293,317		279,286	
Debtors	15	483,432		467,887	
Cash at bank and in hand		763,993		1,582,060	
		1,540,742		2,329,233	
<b>Creditors: amounts falling due within one year</b>	16	(5,817,374)		(5,071,756)	
<b>Net current liabilities</b>		(4,276,632)		(2,742,523)	
<b>Total assets less current liabilities</b>		45,011,549		45,695,662	
<b>Creditors: amounts falling due after more than one year</b>	17	(5,725,000)		(7,625,000)	
<b>Net assets</b>		39,286,549		38,070,662	
<b>Capital and reserves</b>					
Called up share capital	21	238,818		238,846	
Share premium account		264,044		217,444	
Revaluation reserve		-		1,062,351	
Capital redemption reserve		33,332		31,904	
Profit and loss reserves		38,750,355		36,520,117	
<b>Total equity</b>		39,286,549		38,070,662	

The financial statements were approved by the board of directors and authorised for issue on ..... and are signed on its behalf by:

  
 .....  
 Mr P Yapp  
 Director

  
 .....  
 Mr J C Harris  
 Director

Company Registration No. 118558

17 February 2017

# CASTLE LEISURE LIMITED

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 25 DECEMBER 2016

	Notes	Share capital £	Share premium account £	Revaluation reserve £	Capital redemption reserve £	Profit and loss reserves £	Total £
<b>Balance at 29 December 2014</b>		240,066	201,444	1,062,351	30,184	35,036,005	36,570,050
<b>Year ended 27 December 2015:</b>							
Profit and total comprehensive income for the year		-	-	-	-	2,840,804	2,840,804
Issue of share capital	21	500	16,000	-	-	-	16,500
Dividends	11	-	-	-	-	(1,098,692)	(1,098,692)
Redemption of shares	21	-	-	-	1,720	-	1,720
Reduction of shares	21	(1,720)	-	-	-	(258,000)	(259,720)
<b>Balance at 27 December 2015</b>		238,846	217,444	1,062,351	31,904	36,520,117	38,070,662
<b>Year ended 25 December 2016:</b>							
Profit and total comprehensive income for the year		-	-	-	-	3,545,857	3,545,857
Issue of share capital	21	1,400	46,600	-	-	-	48,000
Dividends	11	-	-	-	-	(1,098,563)	(1,098,563)
Redemption of shares	21	-	-	-	1,428	-	1,428
Reduction of shares	21	(1,428)	-	-	-	(217,056)	(218,484)
Transfers		-	-	(1,062,351)	-	-	(1,062,351)
<b>Balance at 25 December 2016</b>		238,818	264,044	-	33,332	38,750,355	39,286,549

# CASTLE LEISURE LIMITED

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 25 DECEMBER 2016

	Notes	2016 £	£	2015 £	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	25	9,098,915		6,376,705	
Interest paid		(163,196)		(198,552)	
Income taxes paid		(514,866)		(852,119)	
<b>Net cash inflow from operating activities</b>		<b>8,420,853</b>		<b>5,326,034</b>	
<b>Investing activities</b>					
Purchase of tangible fixed assets		(6,962,477)		(3,095,436)	
Proceeds on disposal of tangible fixed assets		25,850		49,087	
<b>Net cash used in investing activities</b>		<b>(6,936,627)</b>		<b>(3,046,349)</b>	
<b>Financing activities</b>					
Proceeds from issue of shares		48,000		16,500	
Redemption of shares		(217,056)		(258,000)	
Repayment of bank loans		(1,034,674)		(1,099,727)	
Dividends paid		(1,098,563)		(1,098,692)	
<b>Net cash used in financing activities</b>		<b>(2,302,293)</b>		<b>(2,439,919)</b>	
<b>Net decrease in cash and cash equivalents</b>		<b>(818,067)</b>		<b>(160,234)</b>	
Cash and cash equivalents at beginning of year		1,582,060		1,742,294	
<b>Cash and cash equivalents at end of year</b>		<b>763,993</b>		<b>1,582,060</b>	

# CASTLE LEISURE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 25 DECEMBER 2016

---

### 1 Accounting policies

#### Company information

Castle Leisure Limited is a company limited by shares incorporated in England and Wales. The registered office is 1 City Road, Cardiff, CF24 3TQ.

#### 1.1 Accounting convention

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain freehold properties.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

These financial statements for the year ended 25 December 2016 are the first financial statements of Castle Leisure Limited prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition to FRS 102 was 29 December 2014. The reported financial position and financial performance for the previous period are not affected by the transition to FRS 102.

#### 1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

#### 1.3 Turnover

Turnover comprises revenue recognised from participation fees, gaming machine takings and the sale of food and drink received during the year net of gross profit tax, machine gaming duty and value added tax.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

#### 1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.



# CASTLE LEISURE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 25 DECEMBER 2016

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#### 1 Accounting policies (Continued)

Freehold properties are stated at 1991 open market for existing use valuation with subsequent additions at cost. No depreciation is provided on freehold buildings as it is the company's policy to maintain them to a high standard and accordingly it is the directors' opinion that the residual values of these assets, based on prices prevailing at the time of acquisition or subsequent valuation, are such that both their accumulated depreciation and depreciation charge for the period is immaterial. The cost of repairs and maintenance of the buildings is charged to profit and loss account as incurred. Impairment reviews are carried out to ensure freehold buildings are not carried above their recoverable amounts. Any impairment write downs are charged to the profit and loss account.

Other tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off their cost less their estimated residual value, over their expected useful lives on the following bases:

Freehold property	no depreciation
Plant, equipment and vehicles	5-33% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

#### 1.5 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### 1.6 Stocks

Stock is valued at the lower of cost and net realisable value.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

# CASTLE LEISURE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 25 DECEMBER 2016

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### 1 Accounting policies (Continued)

#### 1.7 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand and deposits held at call with banks.

#### 1.8 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### **Basic financial assets**

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

#### **Impairment of financial assets**

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

#### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

#### **Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

# CASTLE LEISURE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 25 DECEMBER 2016

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### 1 Accounting policies (Continued)

#### **Basic financial liabilities**

Basic financial liabilities, including creditors, bank loans, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

#### **Derecognition of financial liabilities**

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

### 1.9 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

### 1.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

#### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

#### **Deferred tax**

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and the recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be a suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time of the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

# CASTLE LEISURE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 25 DECEMBER 2016

### 1 Accounting policies (Continued)

#### 1.11 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

#### 1.12 Retirement benefits

The Company operates a defined contribution plan under which the Company pays a fixed contribution to a separate entity. The Company has no further payment obligation once the contributions have been paid. The pension charge represents the amounts payable by the Company in respect of the 52 weeks.

### 2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

### 3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2016 £	2015 £
<b>Turnover</b>		
Bingo admissions and participations	17,299,068	16,824,040
Net receipts from sale of goods	5,231,322	4,985,303
Net receipts from gaming machines	8,060,841	8,040,616
	<u>30,591,231</u>	<u>29,849,959</u>

#### Turnover analysed by geographical market

	2016 £	2015 £
United Kingdom	<u>30,591,231</u>	<u>29,849,959</u>

# CASTLE LEISURE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 25 DECEMBER 2016

### 4 Exceptional costs/(income)

	2016 £	2015 £
Exceptional item	(1,449,774)	-

The exceptional item relates to the re-development of the Canton site which was completed in 2016. This balance includes insurance monies, the cost of re-development of the new site, write-down of the damaged assets and additional costs associated with the re-development.

### 5 Operating profit

	2016 £	2015 £
Operating profit for the year is stated after charging/(crediting):		
Depreciation of owned tangible fixed assets	3,041,764	2,752,670
Profit on disposal of tangible fixed assets	(16,046)	(18,783)

### 6 Auditor's remuneration

	2016 £	2015 £
Fees payable to the company's auditor and associates:		
<b>For audit services</b>		
Audit of the company's financial statements	21,500	21,000
<b>For other services</b>		
Taxation compliance services	2,650	2,600
All other non-audit services	2,100	3,004
	4,750	5,604

### 7 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2016 Number	2015 Number
Bingo clubs	640	630
Administration	30	30
	670	660

# CASTLE LEISURE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 25 DECEMBER 2016

### 7 Employees (Continued)

Their aggregate remuneration comprised:

	2016 £	2015 £
Wages and salaries	11,330,859	10,873,949
Social security costs	874,144	740,571
Pension costs	885,550	830,171
	<u>13,090,553</u>	<u>12,444,691</u>

### 8 Directors' remuneration

	2016 £	2015 £
Remuneration for qualifying services	1,408,947	1,211,469
Company pension contributions to defined contribution schemes	448,104	448,665
	<u>1,857,051</u>	<u>1,660,134</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 4 (2015 - 4).

Remuneration disclosed above include the following amounts paid to the highest paid director:

Remuneration for qualifying services	945,370	884,831
Company pension contributions to defined contribution schemes	393,614	399,700
	<u>1,338,984</u>	<u>1,284,531</u>

The gross equivalent of own pension contributions made by the highest paid director was £62,995 (2015: £57,500).

A total of £55,192 (2015: £48,446) was paid as pension and benefits to former directors.

### 9 Interest payable and similar charges

	2016 £	2015 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	<u>163,196</u>	<u>198,552</u>

# CASTLE LEISURE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 25 DECEMBER 2016

### 10 Taxation

	2016 £	2015 £
<b>Current tax</b>		
UK corporation tax on profits for the current period	587,321	800,227
Adjustments in respect of prior periods	(140,055)	(57,989)
Total current tax	447,266	742,238
<b>Deferred tax</b>		
Origination and reversal of timing differences	8,000	(182,000)
Total tax charge	455,266	560,238

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2016 £	2015 £
Profit before taxation	4,001,123	3,401,042
Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2015: 20.00%)	800,225	680,208
Tax effect of expenses that are not deductible in determining taxable profit	17,753	7,530
Tax effect of income not taxable in determining taxable profit	(393,120)	-
Adjustments in respect of prior years	(140,055)	(57,989)
Effect of change in corporation tax rate	-	9,746
Depreciation in excess of capital allowances	162,463	123,007
Deferred tax adjustments in respect of prior years	8,000	(182,000)
Other tax adjustments	-	(20,264)
Taxation for the year	455,266	560,238

### 11 Dividends

	2016 £	2015 £
Paid in the year	1,098,563	1,098,692

# CASTLE LEISURE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 25 DECEMBER 2016

### 12 Tangible fixed assets

	Freehold property	Plant, equipment and vehicles	Total
	£	£	£
<b>Cost</b>			
At 28 December 2015	39,542,528	30,323,547	69,866,075
Additions	3,120,052	3,842,425	6,962,477
Disposals	(2,139,400)	(1,959,524)	(4,098,924)
At 25 December 2016	40,523,180	32,206,448	72,729,628
<b>Depreciation and impairment</b>			
At 28 December 2015	-	21,427,890	21,427,890
Depreciation charged in the year	-	3,041,764	3,041,764
Impairment losses	750,000	-	750,000
Eliminated in respect of disposals	-	(1,778,207)	(1,778,207)
At 25 December 2016	750,000	22,691,447	23,441,447
<b>Carrying amount</b>			
At 25 December 2016	39,773,180	9,515,001	49,288,181
At 27 December 2015	39,542,528	8,895,657	48,438,185

More information on the impairment arising in the year is given in note .

### 13 Financial instruments

	2016 £	2015 £
<b>Carrying amount of financial assets</b>		
Debt instruments measured at amortised cost	9,385	317
<b>Carrying amount of financial liabilities</b>		
Measured at amortised cost	8,786,115	9,965,279

### 14 Stocks

	2016 £	2015 £
Goods for resale	293,317	279,286



# CASTLE LEISURE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 25 DECEMBER 2016

### 15 Debtors

	2016 £	2015 £
<b>Amounts falling due within one year:</b>		
Other debtors	9,385	317
Prepayments and accrued income	444,047	429,570
	<u>453,432</u>	<u>429,887</u>
Deferred tax asset (note 19)	30,000	38,000
	<u>483,432</u>	<u>467,887</u>

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

	Notes	2016 £	2015 £
Bank loans and overdrafts	18	1,900,000	1,034,674
Trade creditors		1,161,115	1,305,605
Corporation tax		339,877	407,477
Other taxation and social security		639,798	531,747
Accruals and deferred income		1,776,584	1,792,253
		<u>5,817,374</u>	<u>5,071,756</u>

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

	Notes	2016 £	2015 £
Bank loans and overdrafts	18	5,725,000	7,625,000
		<u>5,725,000</u>	<u>7,625,000</u>

### 18 Loans and overdrafts

	2016 £	2015 £
Bank loans	7,625,000	8,659,674
	<u>7,625,000</u>	<u>8,659,674</u>
Payable within one year	1,900,000	1,034,674
Payable after one year	5,725,000	7,625,000
	<u>7,625,000</u>	<u>7,625,000</u>

The bank loan is secured by a first charge on certain freehold property of the company and bears interest at 1% above the bank's base rate.

# CASTLE LEISURE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 25 DECEMBER 2016

### 19 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Assets 2016 £	Assets 2015 £
<b>Balances:</b>		
(Decelerated)/accelerated capital allowances	(20,000)	31,300
Other timing differences	50,000	6,700
	<u>30,000</u>	<u>38,000</u>
<b>Movements in the year:</b>		<b>2016 £</b>
Liability/(Asset) at 28 December 2015		(38,000)
Charge to profit or loss		8,000
		<u>(30,000)</u>

The deferred tax asset set out above is expected to reverse within 12 months and relates to the utilisation of tax losses against future expected profits of the same period.

### 20 Retirement benefit schemes

	2016 £	2015 £
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	885,550	830,171
	<u>885,550</u>	<u>830,171</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

### 21 Share capital

	2016 £	2015 £
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
238,818 Ordinary shares of £1 each	238,818	238,846
	<u>238,818</u>	<u>238,846</u>

During the period the company issued 1,400 ordinary shares of £1 each for £48,000.

During the period the company purchased 1,428 ordinary shares of £1 each for £217,056.

# CASTLE LEISURE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 25 DECEMBER 2016

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### 22 Financial commitments

The company has unfunded pension commitments to one of its executive directors and two former non executive directors.

### 23 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2016 £	2015 £
Acquisition of property, plant and equipment	1,200,000	5,300,000

### 24 Related party transactions

#### Remuneration of key management personnel

The remuneration of key management personnel, who are also directors, is as follows.

	2016 £	2015 £
Aggregate compensation	1,857,051	1,660,134

#### Transactions with related parties

During the year the company entered into the following transactions with related parties:

	Dividend payments	
	2016 £	2015 £
Key management personnel	153,343	144,886

No guarantees have been given or received.

# CASTLE LEISURE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 25 DECEMBER 2016

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### 25 Cash generated from operations

	2016 £	2015 £
Profit for the year after tax	3,545,857	2,840,804
<b>Adjustments for:</b>		
Taxation charged	455,266	560,238
Finance costs	163,196	198,552
Gain on disposal of tangible fixed assets	(16,046)	(18,783)
Depreciation and impairment of tangible fixed assets	3,041,764	2,752,670
Exceptional items (non-cash element)	1,998,562	-
<b>Movements in working capital:</b>		
(Increase)/decrease in stocks	(14,031)	15,228
(Increase) in debtors	(23,545)	(11,683)
(Decrease)/increase in creditors	(52,108)	39,679
<b>Cash generated from operations</b>	<u>9,098,915</u>	<u>6,376,705</u>