REGISTRAR OF COMPANIES

Company Registration No. 00118558 (England and Wales)

CASTLE LEISURE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

CASTLE LEISURE LIMITED

COMPANY INFORMATION

Directors	Mr M H Andrews Mr W J Davies Mr J C Harris Mr P J T Yapp Mrs L M Morgan Mr S D Phillips Mrs K L Brown
Secretary	Mrs L M Morgan
Company number	00118558
Registered office	1 City Road Cardiff CF24 3TQ
Auditor	MHA Broomfield Alexander Ty Derw Lime Tree Court Cardiff Gate Business Park Cardiff UK CF23 8AB

CASTLE LEISURE LIMITED

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CASTLE LEISURE LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The Directors present their strategic report for the 53 weeks ended 31 December 2017.

Business Review

Club trading performance grew positively 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 and beyond.

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 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 maintains 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 contingency 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 flows, 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 its 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.

Financial key performance indicators

Key performance indicators, including admissions and average spends, are monitored and interpreted by the management on a daily basis. Both measures remain ahead of industry averages with admissions growing 2% ahead of the previous year, and 0.6% on a like for like basis, and with average spends per head increasing 3% in the year.

Financial review

Company turnover increased 5% to £32m (2016: £30.6m).

During 2017, the Company incurred capital expenditure of £4.25m, to give a year end fixed asset valuation of £50.2m.

The profit for the 53 weeks, before taxation, amounted to £3,400,285 (2016: £4,001,123).

Current trading and outlook

The Directors anticipate further consolidation within the bingo market in the current year and beyond, where we expect challenging market conditions to continue for the industry.

On behalf of the board

LM Morgan
....

Mrs L M Morgan
Director
12 February 2018
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CASTLE LEISURE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their report and the financial statements for the 53 weeks ended 31 December 2017.

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 grew positively 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, where we expect challenging market conditions to continue.

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.

This has led to substantive outperformance of the UK bingo market, with ten clubs attaining profit ahead of last year, and with six clubs achieving all time highs in profit contribution.

Results and dividends

The profit for the 53 weeks, after taxation, amounted to £2,831,361 (2016 - £3,545,857)

The Directors propose a final dividend of 220p 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	
	31/12/17	25/12/16
Mark H Andrews	**2,117**	2,117
Wayne J Davies	**2,940**	2,940
Lisa Morgan	**2,300**	2,300
Jeffrey C Harris	**31,766**	30,048
Simon D Phillips	**100**	100
Philip J T Yapp	**6,716**	6,872
Kate L Brown	**250**	250

The Directors retiring by rotation are Wayne J Davies and Simon D Phillips who, being eligible, offer themselves for reappointment.

Ordinary dividends were paid in the year amounting to £942,132.

Charitable contributions

During the period the Company made charitable donations of £41,700. Additionally the company facilitates through its clubs substantial local charitable and civic fund raising. Total fund raising activities during the period generated over £70,000.

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 was reaccredited as an Investors in People Gold Company in 2017. 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	4	1
General Managers	4	7
All Employees	414	229

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.

All 11 clubs have been awarded the sword of honour by the British Safety Council for Health and Safety. We are the only Company in the UK and Internationally to hold such accolades for all of our business units.

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 £612,595, which represents an effective tax rate of 17%; 2016: 14.7%.

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. Capital investment review into energy efficient assets is included as part of all major refurbishment works.

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

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;
- 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.

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

LM Morgan

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Mrs L M Morgan

Director

12 February 2018

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CASTLE LEISURE LIMITED

Opinion
We have audited the financial statements of Castle Leisure Limited (the 'Company') for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:
- give a true and fair view of the state of the company's affairs as at 31 December 2017 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.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:
- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of our audit:
- 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; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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.

Responsibilities of directors
As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: http://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.

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

16 February 2018

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 31 DECEMBER 2017

	Notes	2017 £	2016 £
Turnover	3	31,925,358	30,591,231
Cost of sales		(5,432,069)	(4,903,379)
Gross profit		26,493,289	25,687,852
Administrative expenses		(23,676,280)	(23,223,821)
Other operating income		266,600	250,514
Exceptional item	4	468,370	1,449,774
Operating profit	5	3,551,979	4,164,319
Interest payable and similar expenses	9	(151,694)	(163,196)
Profit before taxation		3,400,285	4,001,123
Tax on profit	10	(568,924)	(455,266)
Profit for the financial year		2,831,361	3,545,857

The Profit And Loss Account has been prepared on the basis that all operations are continuing operations.

CASTLE LEISURE LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2017

	Notes	2017 £	2017 £	2016 £	2016 £
Fixed assets					
Tangible assets	**12**		50,239,639		49,288,181
Current assets					
Stocks	**14**	278,451		293,317	
Debtors	**15**	519,153		483,432	
Cash at bank and in hand		675,296		763,993	
		1,472,900		1,540,742	
Creditors: amounts falling due within one year	**16**	(4,833,276)		(5,817,374)	
Net current liabilities			(3,360,376)		(4,276,632)
Total assets less current liabilities			46,879,263		45,011,549
Creditors: amounts falling due after more than one year	**17**		(6,250,000)		(5,725,000)
Net assets			40,629,263		39,286,549
Capital and reserves					
Called up share capital	**21**		235,533		238,818
Share premium account			271,444		264,044
Capital redemption reserve			36,817		33,332
Profit and loss reserves			40,085,469		38,750,355
Total equity			40,629,263		39,286,549

The financial statements were approved by the board of directors and authorised for issue on 12 February 2018 and are signed on its behalf by:

Mr P J T Yapp
Director

Mr J C Harris
Director

Company Registration No. 00118558

CASTLE LEISURE LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Share capital £	Share premium account £	Revaluation reserve £	Capital redemption reserve £	*Profit and loss reserves* £	Total £
Balance at 28 December 2015		238,846	217,444	1,062,351	31,904	36,520,117	38,070,662
Year ended 25 December 2016:							
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)
Balance at 25 December 2016		238,818	264,044	-	33,332	38,750,355	39,286,549
Year ended 31 December 2017:							
Profit and total comprehensive income for the year		-	-	-	-	2,831,361	2,831,361
Issue of share capital	**21**	200	7,400	-	-	-	7,600
Dividends	**11**	-	-	-	-	(942,132)	(942,132)
Redemption of shares	**21**	-	-	-	3,485	-	3,485
Reduction of shares	**21**	(3,485)	-	-	-	(554,115)	(557,600)
Balance at 31 December 2017		235,533	271,444	-	36,817	40,085,469	40,629,263

CASTLE LEISURE LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £	2017 £	2016 £	2016 £
Cash flows from operating activities					
Cash generated from operations	**26**		6,829,132		9,098,915
Interest paid			(151,694)		(163,196)
Income taxes paid			(568,212)		(514,866)
Net cash inflow from operating activities			6,109,226		8,420,853
Investing activities					
Purchase of tangible fixed assets		(4,252,144)		(6,962,477)	
Proceeds on disposal of tangible fixed assets		17,868		25,850	
Net cash used in investing activities			(4,234,276)		(6,936,627)
Financing activities					
Proceeds from issue of shares		7,600		48,000	
Redemption of shares		(554,115)		(217,056)	
Repayment of bank loans		(475,000)		(1,034,674)	
Dividends paid		(942,132)		(1,098,563)	
Net cash used in financing activities			(1,963,647)		(2,302,293)
Net decrease in cash and cash equivalents			(88,697)		(818,067)
Cash and cash equivalents at beginning of year			763,993		1,582,060
Cash and cash equivalents at end of year			675,296		763,993

1 Accounting policies

Company information

Castle Leisure Limited is a private 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 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. The principal accounting policies adopted are set out below.

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 is recognised as the services are rendered and food and drink revenue is recognised at the point of sale.

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.

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	2% straight line
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.

1 Accounting policies (Continued)

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.

1.7 Cash at bank and in hand

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.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

1 Accounting policies (Continued)

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.

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.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value though profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

1 Accounting policies (Continued)

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 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability.

1.11 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.

1.12 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 Accounting policies (Continued)

1.13 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 53 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:

	2017	2016
	£	£
Turnover analysed by class of business		
Bingo admissions and participations	18,079,915	17,299,068
Net receipts from sale of goods	5,360,708	5,231,322
Net receipts from gaming machines	8,484,735	8,060,841
	31,925,358	30,591,231

	2017	2016
	£	£
Turnover analysed by geographical market		
United Kingdom	31,925,358	30,591,231

4 Exceptional costs/(income)

	2017	2016
	£	£
Exceptional item	(468,370)	(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

Operating profit for the year is stated after charging/(crediting):	2017 £	2016 £
Depreciation of owned tangible fixed assets	3,286,886	3,041,764
Profit on disposal of tangible fixed assets	(4,069)	(16,046)

6 Auditor's remuneration

Fees payable to the company's auditor and associates:	2017 £	2016 £
For audit services		
Audit of the financial statements of the company	21,650	21,500
For other services		
Taxation compliance services	1,750	2,650
All other non-audit services	-	2,100
	1,750	4,750

7 Employees

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

	2017 Number	2016 Number
Bingo clubs	610	640
Administration	30	30
	640	670

Their aggregate remuneration comprised:

	2017 £	2016 £
Wages and salaries	11,326,100	11,330,859
Social security costs	913,000	874,144
Pension costs	925,427	885,550
	13,164,527	13,090,553

8 Directors' remuneration

	2017	2016
	£	£
Remuneration for qualifying services	1,347,592	1,408,947
Company pension contributions to defined contribution schemes	477,403	448,104
	1,824,995	1,857,051

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 4 (2016 - 4).

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

	2017	2016
	£	£
Remuneration for qualifying services	904,493	945,370
Company pension contributions to defined contribution schemes	410,000	393,614

The gross equivalent of own pension contributions made by the highest paid director was £59,289 (2016: £62,995).

A total of £55,988 (2016: £55,192) was paid as pension and benefits to former directors.

9 Interest payable and similar expenses

	2017	2016
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	151,694	163,196

10 Taxation

	2017	2016
	£	£
Current tax		
UK corporation tax on profits for the current period	612,595	587,321
Adjustments in respect of prior periods	(43,671)	(140,055)
Total current tax	568,924	447,266
Deferred tax		
Origination and reversal of timing differences	-	8,000
Total tax charge	568,924	455,266

10 Taxation (Continued)

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:

	2017 £	2016 £
Profit before taxation	3,400,285	4,001,123
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2016: 20.00%)	646,054	800,225
Tax effect of expenses that are not deductible in determining taxable profit	552	17,753
Tax effect of income not taxable in determining taxable profit	(156,165)	(393,120)
Adjustments in respect of prior years	(43,671)	(140,055)
Depreciation in excess of capital allowances	122,154	162,463
Deferred tax adjustments in respect of prior years	-	8,000
Taxation for the year	568,924	455,266

11 Dividends

	2017 £	2016 £
Paid in the year	942,132	1,098,563

12 Tangible fixed assets

	Freehold property	Plant, equipment and vehicles	Total
	£	£	£
Cost			
At 26 December 2016	40,523,180	32,206,448	72,729,628
Additions	265,591	3,986,553	4,252,144
Disposals	-	(941,574)	(941,574)
Transfers	(1,683,317)	1,683,317	-
At 31 December 2017	39,105,454	36,934,744	76,040,198
Depreciation and impairment			
At 26 December 2016	750,000	22,691,448	23,441,448
Depreciation charged in the year	15,579	3,271,307	3,286,886
Eliminated in respect of disposals	-	(927,775)	(927,775)
At 31 December 2017	765,579	25,034,980	25,800,559
Carrying amount			
At 31 December 2017	38,339,875	11,899,764	50,239,639
At 25 December 2016	39,773,180	9,515,001	49,288,181

13 Financial instruments

	2017	2016
	£	£
Carrying amount of financial assets		
Debt instruments measured at amortised cost	640	9,385
Carrying amount of financial liabilities		
Measured at amortised cost	10,024,851	8,786,115

14 Stocks

	2017	2016
	£	£
Goods for resale	278,451	293,317

15 Debtors

	2017	2016
Amounts falling due within one year:	**£**	**£**
Other debtors	640	9,385
Prepayments and accrued income	488,513	444,047
	489,153	453,432
Deferred tax asset (note 19)	30,000	30,000
	519,153	483,432

16 Creditors: amounts falling due within one year

	Notes	2017 £	2016 £
Bank loans and overdrafts	18	900,000	1,900,000
Trade creditors		1,129,625	1,161,115
Corporation tax		340,589	339,877
Other taxation and social security		717,836	639,798
Accruals and deferred income		1,745,226	1,776,584
		4,833,276	5,817,374

17 Creditors: amounts falling due after more than one year

	Notes	2017 £	2016 £
Bank loans and overdrafts	18	6,250,000	5,725,000

18 Loans and overdrafts

	2017 £	2016 £
Bank loans	7,150,000	7,625,000
Payable within one year	900,000	1,900,000
Payable after one year	6,250,000	5,725,000

The bank loan is secured by a first charge on certain freehold property of the company and bears interest at 1.75% above the bank's base rate.

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 2017	Assets 2016
Balances:	**£**	**£**
(Decelerated)/accelerated capital allowances	9,800	(20,000)
Other timing differences	20,200	50,000
	30,000	30,000

There were no deferred tax movements in the year.

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

	2017	2016
Defined contribution schemes	**£**	**£**
Charge to profit or loss in respect of defined contribution schemes	925,427	885,550

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

	2017	2016
	£	**£**
Ordinary share capital		
Issued and fully paid		
235,533 Ordinary shares of £1 each	235,533	238,818
	235,533	238,818

During the period the company issued 200 ordinary shares of £1 each for £7,600.

During the period the company purchased 3,485 ordinary shares of £1 each for £554,115.

22 Financial commitments

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

23 Operating lease commitments

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2017	2016
	£	£
Within one year	101,086	151,514
Between two and five years	198,714	540,933
	299,800	692,447

24 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2017	2016
	£	£
Acquisition of tangible fixed assets	260,000	1,200,000

25 Related party transactions

Remuneration of key management personnel
The remuneration of key management personnel is as follows.

	2017	2016
	£	£
Aggregate compensation	1,824,995	1,857,051

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

	Dividend payments	
	2017	2016
	£	£
Key management personnel	133,128	153,343

26 Cash generated from operations

	2017	2016
	£	£
Profit for the year after tax	2,831,361	3,545,857
Adjustments for:		
Taxation charged	568,925	455,266
Finance costs	151,694	163,196
Gain on disposal of tangible fixed assets	(4,069)	(16,046)
Depreciation and impairment of tangible fixed assets	3,286,886	3,041,764
Exceptional items (non-cash element)	-	1,998,562
Movements in working capital:		
Decrease/(increase) in stocks	14,866	(14,031)
(Increase) in debtors	(35,721)	(23,545)
Increase/(decrease) in creditors	15,190	(52,108)
Cash generated from operations	6,829,132	9,098,915