

Company Registration No. 00118558 (England and Wales)

**CASTLE LEISURE LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 29 DECEMBER 2019**

# CASTLE LEISURE LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	Mr P J T Yapp Mr M H Andrews Mrs K L Brown Mr W J Davies Mr J C Harris Mrs L M Morgan Mr S D Phillips
<b>Secretary</b>	Mrs L M Morgan
<b>Company number</b>	00118558
<b>Registered office</b>	1 City Road Cardiff CF24 3TQ
<b>Auditor</b>	Baldwins Audit Services Lime Tree Court Cardiff Gate Business Park Cardiff CF23 8AB

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# CASTLE LEISURE LIMITED

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# **CASTLE LEISURE LIMITED**

## **STRATEGIC REPORT**

**FOR THE YEAR ENDED 29 DECEMBER 2019**

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The Directors present their strategic report for the 52 weeks ended 29 December 2019.

### **Business Review**

Club trading performance was robust in a challenging environment. The Company is strongly cash-generative with cash flow 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.

Company focus is on enhancing customer visit experience by providing enjoyable bingo-based hospitality and leisure experiences to a diverse customer base.

### **Principal Risks and Uncertainties**

The Company's risk management strategy focuses on the mitigation 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 and Regulation.**

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. Regulatory risk is increasing in areas of responsible gambling and in relation to anti-money laundering requirements. All key management and employees undergo ongoing training and certification to ensure the Company remains fully compliant. The Company maintains a transparent and open relationship with the Gambling Commission, BeGambleAware, GamCare and Local Authorities.

The Company's Assurance Statement embodies our policy approach and commitment to surpassing our legislative and regulatory obligations to provide safe and fair gambling.

### **Duties and Taxation.**

Increases in rates in Gaming Duties and VAT rates would adversely impact net revenues and company profitability. The Company actively monitors taxation legislation and contributes, through industry bodies, to consultation papers. Contingency plans are developed as appropriate.

### **Systems and Data Security.**

Company operations depend on reliable systems which hold and process personal customer information on club members. The company has developed a robust control system to protect customer and company data from cyber attack, which is recognised as an increasing risk. This would lead to loss of Company reputation and potential significant financial penalty under the General Data Protection Act 2016. Company IT security, anti-virus software and firewalls are reviewed and updated regularly to mitigate this risk.

Data is securely backed up on a daily basis. An off-site Disaster Recovery location has been set up to enable continuity of business operations in the event of the primary systems failing. The Crisis Management Plan is embedded in our risk planning.

### **Supply Chain.**

The Company is dependent on a number of third party suppliers for the effective operation of the business. Failure of a supplier to provide these products would impact on the effective operations of our clubs. We maintain close working relations with and monitor financial stability of all key suppliers to ensure continuity of supply is maintained. The Company utilises local suppliers to ensure reliability of supply and reduced delivery lead times, when practical to do so.

## **CASTLE LEISURE LIMITED**

### **STRATEGIC REPORT (CONTINUED)**

**FOR THE YEAR ENDED 29 DECEMBER 2019**

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#### **Economic.**

Unfavourable and uncertain economic conditions will impact consumer confidence and disposable income. We monitor UK economic data, forecasts and industry trends to ensure best understanding of the likely impact on our customers. Our pricing and product offering is continually reviewed to match current market conditions and to improve our customer proposition.

#### **Industry.**

The Company operates in a competitive market and its performance can be impacted if there is an improvement by competitors in respect of their product offer, prize boards or location. The Company is actively involved in supporting the Bingo Association to ensure we plan for changes in the sector.

#### **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 and systems 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.

#### **Changing Customer Needs.**

Progressive long-term change in retail and leisure consumer spending patterns are resulting in lower Industry numbers of customer visits. The company actively pursues a focused policy approach to maintain the relevance of our customer proposition by evolving our product and service offer by innovation.

#### **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. Quarterly meetings are held with our Bankers to ensure that they maintain a strong understanding of our business and trading conditions. Cash balances are monitored daily with detailed variance procedures.

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

# CASTLE LEISURE LIMITED

## STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 29 DECEMBER 2019**

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### **Development and performance**

Key performance indicators, including admissions and average spends per head, are monitored and interpreted by the management on a daily basis. Both measures remain ahead of industry trends and performance.

Like for like admissions were 1% lower than the previous year, with a 5% increase in spends per head.

### **Financial review**

Company turnover grew 4% to £33.2m (2018: £31.9m).

During 2019, the Company incurred capital expenditure of £2.8m, to give a year end fixed asset valuation of £48.4m.

The profit for the 52 weeks, before taxation, amounted to £3,140,024 (2018: £3,000,900).

### **Current trading and outlook**

The Directors anticipate further consolidation within the bingo market in the current year. We expect market conditions to stabilise within the industry in the longer term.

On behalf of the board

Mrs L M Morgan

**Director**

14 February 2020

# CASTLE LEISURE LIMITED

## DIRECTORS' REPORT

**FOR THE YEAR ENDED 29 DECEMBER 2019**

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The directors present their report and the financial statements for the 52 weeks ended 29 December 2019.

### 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 income and profitability grew in a challenging trading 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.

Company focus is on enhancing customer visit experience by providing enjoyable bingo-based hospitality and leisure experiences to a diverse customer base. 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. 6 clubs achieved all-time high profit contributions in the year.

### Results and dividends

The profit for the 52 weeks, after taxation, amounted to £2,652,198 (2018 - £2,291,302).

The Directors propose a final dividend of 230p 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

	29/12/19	31/12/18
Mr P J T Yapp	6,423	6,628
Mr M H Andrews	2,117	2,117
Mrs K L Brown	250	250
Mr W J Davies	2,970	2,940
Mr J C Harris	33,534	32,648
Mrs L M Morgan	2,370	2,335
Mr S D Phillips	100	100

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

Ordinary dividends were paid in the year amounting to £984,476.

# **CASTLE LEISURE LIMITED**

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

**FOR THE YEAR ENDED 29 DECEMBER 2019**

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### **Charitable contributions**

During the period the Company made charitable donations of £36,500. Additionally the company facilitates, through its clubs, substantial local charitable and civic fund raising. Total fund raising activities during the period generated over £65,000.

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 Assurance Statement embodies our policy approach and commitment to surpassing our legislative and regulatory obligations to provide safe and fair gambling.

The Company's risk assessment process takes account of social, environmental and ethical matters relevant to the operation of the Company and protection of its customers and employees.

The Board seeks both to identify and assess any short or long-term risks and to identify opportunities to enhance value. Compliance and Social Responsibility matters are reviewed monthly by the Board and Non-Executive Directors attend Gambling Commission workshops in this area.

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 BeGambleAware.

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

### **Financial Instruments**

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

No trading in financial instruments is 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, motivating staff and ensuring compliance with legislation and industry best practices. Particular focus is made on ensuring customer satisfaction through consistent attainment of high standards of care and service. We seek to raise our standards on a rolling basis.

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 pay and conditions for all employees regardless of sex, family status, religion, creed, colour, ethnic origin, age or disability.



# CASTLE LEISURE LIMITED

## DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 29 DECEMBER 2019

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### Financial Instruments

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/Senior Management	3	3
General Managers	6	5
All Employees	417	212

### 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 by the supplier.

### Health and safety

The Company is committed to providing a safe place to work and visit, and has developed 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 the Company. This is assessed monthly to ensure continual enhancement.

Our systematic internal approach to all health and safety matters is supported by rigorous and independent inspection by the British Safety Council, with all clubs achieving the maximum 5 stars award.

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 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 £487,826, which represents an effective tax rate of 16% (2018: 24%).

### 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 environmentally-responsible policies 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 reviews into energy efficient equipment and fixtures is included as part of all major refurbishment projects.

# CASTLE LEISURE LIMITED

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 29 DECEMBER 2019**

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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;
- 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

Mrs L M Morgan

**Director**

14 February 2020

# CASTLE LEISURE LIMITED

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF CASTLE LEISURE LIMITED

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#### Opinion

We have audited the financial statements of Castle Leisure Limited (the 'Company') for the year ended 29 December 2019 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 29 December 2019 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.

# 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

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.

### Use of our 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 Baldwins Audit Services**

**Accountants**  
**Statutory Auditors**

14 February 2020  
Ty Derw  
Lime Tree Court  
Cardiff Gate Business Park  
Cardiff  
UK  
CF23 8AB

## CASTLE LEISURE LIMITED

### STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 29 DECEMBER 2019

	Notes	2019 £	2018 £
<b>Turnover</b>	<b>3</b>	33,216,851	31,875,344
Cost of sales		(5,871,712)	(5,550,291)
<b>Gross profit</b>		27,345,139	26,325,053
Administrative expenses		(24,290,197)	(23,515,885)
Other operating income		224,045	341,442
<b>Operating profit</b>	<b>4</b>	3,278,987	3,150,610
Interest payable and similar expenses	<b>8</b>	(138,963)	(149,710)
<b>Profit before taxation</b>		3,140,024	3,000,900
Tax on profit	<b>9</b>	(487,826)	(709,598)
<b>Profit for the financial year</b>		2,652,198	2,291,302

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

# CASTLE LEISURE LIMITED

## BALANCE SHEET

AS AT 29 DECEMBER 2019

	Notes	2019 £	£	2018 £	£
<b>Fixed assets</b>					
Tangible assets	11	48,435,256		48,977,537	
<b>Current assets</b>					
Stocks	13	303,354		281,106	
Debtors	14	496,044		564,038	
Cash at bank and in hand		2,343,096		2,352,752	
		<u>3,142,494</u>		<u>3,197,896</u>	
<b>Creditors: amounts falling due within one year</b>	15	<u>(4,406,181)</u>		<u>(10,868,126)</u>	
<b>Net current liabilities</b>			(1,263,687)		(7,670,230)
<b>Total assets less current liabilities</b>			<u>47,171,569</u>		<u>41,307,307</u>
<b>Creditors: amounts falling due after more than one year</b>	16		(4,675,000)		-
<b>Provisions for liabilities</b>	18		<u>(21,500)</u>		<u>-</u>
<b>Net assets</b>			<u>42,475,069</u>		<u>41,307,307</u>
<b>Capital and reserves</b>					
Called up share capital	21	228,948		231,628	
Share premium account		283,744		271,444	
Capital redemption reserve		43,702		40,722	
Profit and loss reserves		<u>41,918,675</u>		<u>40,763,513</u>	
<b>Total equity</b>			<u>42,475,069</u>		<u>41,307,307</u>

The financial statements were approved by the board of directors and authorised for issue on 14 February 2020 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 29 DECEMBER 2019

	Notes	Share capital £	Share premium account £	Capital redemption reserve £	Profit and loss reserves £	Total £
<b>Balance at 1 January 2018</b>		235,533	271,444	36,817	40,085,469	40,629,263
<b>Year ended 30 December 2018:</b>						
Profit and total comprehensive income for the year		-	-	-	2,291,302	2,291,302
Dividends	10	-	-	-	(972,838)	(972,838)
Redemption of shares	21	-	-	3,905	-	3,905
Reduction of shares	21	(3,905)	-	-	(640,420)	(644,325)
<b>Balance at 30 December 2018</b>		231,628	271,444	40,722	40,763,513	41,307,307
<b>Year ended 29 December 2019:</b>						
Profit and total comprehensive income for the year		-	-	-	2,652,198	2,652,198
Issue of share capital	21	300	12,300	-	-	12,600
Dividends	10	-	-	-	(984,476)	(984,476)
Redemption of shares	21	-	-	2,980	-	2,980
Reduction of shares	21	(2,980)	-	-	(512,560)	(515,540)
<b>Balance at 29 December 2019</b>		228,948	283,744	43,702	41,918,675	42,475,069

# CASTLE LEISURE LIMITED

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 29 DECEMBER 2019

	Notes	2019 £	£	2018 £	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	27	5,814,745		7,071,698	
Interest paid		(138,963)		(149,710)	
Income taxes paid		(715,461)		(691,726)	
<b>Net cash inflow from operating activities</b>		<u>4,960,321</u>		<u>6,230,262</u>	
<b>Investing activities</b>					
Purchase of tangible fixed assets		(2,816,337)		(2,106,248)	
Proceeds on disposal of tangible fixed assets		<u>5,796</u>		<u>66,700</u>	
<b>Net cash used in investing activities</b>		<u>(2,810,541)</u>		<u>(2,039,548)</u>	
<b>Financing activities</b>					
Proceeds from issue of shares		12,600		-	
Redemption of shares		(512,560)		(640,420)	
Proceeds of new bank loans		225,000		-	
Repayment of bank loans		(900,000)		(900,000)	
Dividends paid		<u>(984,476)</u>		<u>(972,838)</u>	
<b>Net cash used in financing activities</b>		<u>(2,159,436)</u>		<u>(2,513,258)</u>	
<b>Net (decrease)/increase in cash and cash equivalents</b>		<u>(9,656)</u>		<u>1,677,456</u>	
Cash and cash equivalents at beginning of year		<u>2,352,752</u>		<u>675,296</u>	
<b>Cash and cash equivalents at end of year</b>		<u><u>2,343,096</u></u>		<u><u>2,352,752</u></u>	



# CASTLE LEISURE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 29 DECEMBER 2019**

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### **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**

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

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**

Freehold properties are stated at 1991 open market for existing use valuation with subsequent additions at cost. 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	3% straight line
Plant, equipment and vehicles	4-33% 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.

# CASTLE LEISURE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 DECEMBER 2019

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### 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.

#### 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.

##### **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.

# CASTLE LEISURE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 DECEMBER 2019

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### 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 and bank loans, loans from fellow group companies and preference shares that are classified as debt, 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 payments 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 through 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.

# CASTLE LEISURE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 DECEMBER 2019

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### 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 transaction 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.

### 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.

# CASTLE LEISURE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 DECEMBER 2019

### 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:

	2019 £	2018 £
<b>Turnover analysed by class of business</b>		
Bingo admissions and participations	18,588,183	17,857,945
Net receipts from sale of goods	5,270,034	5,223,560
Net receipts from gaming machines	9,358,634	8,793,839
	<u>33,216,851</u>	<u>31,875,344</u>

	2019 £	2018 £
<b>Turnover analysed by geographical market</b>		
United Kingdom	<u>33,216,851</u>	<u>31,875,344</u>

### 4 Operating profit

	2019 £	2018 £
Operating profit for the year is stated after charging/(crediting):		
Depreciation of owned tangible fixed assets	3,348,809	3,321,271
Loss/(profit) on disposal of tangible fixed assets	4,013	(19,621)
	<u></u>	<u></u>

### 5 Auditor's remuneration

	2019 £	2018 £
Fees payable to the company's auditor and associates:		
<b>For audit services</b>		
Audit of the financial statements of the company	<u>22,300</u>	<u>21,700</u>
<b>For other services</b>		
Taxation compliance services	<u>5,000</u>	<u>4,800</u>

## CASTLE LEISURE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 DECEMBER 2019

#### 6 Employees

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

	2019 Number	2018 Number
Bingo clubs	595	600
Administration	30	30
	<u>625</u>	<u>630</u>

Their aggregate remuneration comprised:

	2019 £	2018 £
Wages and salaries	11,502,418	11,122,833
Social security costs	876,219	868,477
Pension costs	782,658	895,290
	<u>13,161,295</u>	<u>12,886,600</u>

#### 7 Directors' remuneration

	2019 £	2018 £
Remuneration for qualifying services	1,294,649	1,281,459
Company pension contributions to defined contribution schemes	365,030	444,598
	<u>1,659,679</u>	<u>1,726,057</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 4 (2018 - 4).

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

	2019 £	2018 £
Remuneration for qualifying services	819,381	860,959
Company pension contributions to defined contribution schemes	300,000	383,000
	<u></u>	<u></u>

The gross equivalent of own pension contributions made by the highest paid director was £59,450 (2018: £57,573).

A total of £56,906 (2018: £56,359) was paid as pension and benefits to former directors.

# CASTLE LEISURE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 DECEMBER 2019

### 8 Interest payable and similar expenses

	2019 £	2018 £
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest on bank overdrafts and loans	138,963	149,710

### 9 Taxation

	2019 £	2018 £
<b>Current tax</b>		
UK corporation tax on profits for the current period	556,704	740,461
Adjustments in respect of prior periods	(152,378)	1,137
Total current tax	404,326	741,598
<b>Deferred tax</b>		
Origination and reversal of timing differences	83,500	(32,000)
Total tax charge	487,826	709,598

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:

	2019 £	2018 £
Profit before taxation	3,140,024	3,000,900
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	596,605	570,171
Tax effect of expenses that are not deductible in determining taxable profit	1,069	7,769
Tax effect of income not taxable in determining taxable profit	(47,780)	(22,479)
Adjustments in respect of prior years	(152,378)	1,137
Depreciation in excess of capital allowances	90,310	153,000
Taxation for the year	487,826	709,598

### 10 Dividends

	2019 £	2018 £
Paid in the year	984,476	972,838

# CASTLE LEISURE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 DECEMBER 2019

### 11 Tangible fixed assets

	Freehold property	Plant, equipment and vehicles	Total
	£	£	£
<b>Cost</b>			
At 31 December 2018	39,105,454	36,837,421	75,942,875
Additions	-	2,816,337	2,816,337
Disposals	-	(2,116,466)	(2,116,466)
At 29 December 2019	39,105,454	37,537,292	76,642,746
<b>Depreciation and impairment</b>			
At 31 December 2018	790,579	26,174,759	26,965,338
Depreciation charged in the year	25,000	3,323,809	3,348,809
Eliminated in respect of disposals	-	(2,106,657)	(2,106,657)
At 29 December 2019	815,579	27,391,911	28,207,490
<b>Carrying amount</b>			
At 29 December 2019	38,289,875	10,145,381	48,435,256
At 30 December 2018	38,314,875	10,662,662	48,977,537

### 12 Financial instruments

	2019 £	2018 £
<b>Carrying amount of financial assets</b>		
Debt instruments measured at amortised cost	3,300	4,565
<b>Carrying amount of financial liabilities</b>		
Measured at amortised cost	8,349,298	9,303,018

### 13 Stocks

	2019 £	2018 £
Goods for resale	303,354	281,106



# CASTLE LEISURE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 DECEMBER 2019

### 14 Debtors

	2019	2018
	£	£
<b>Amounts falling due within one year:</b>		
Other debtors	3,300	4,565
Prepayments and accrued income	492,744	497,473
	<u>496,044</u>	<u>502,038</u>
Deferred tax asset (note 19)	-	62,000
	<u>496,044</u>	<u>564,038</u>

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

	Notes	2019	2018
		£	£
Bank loans	17	900,000	6,250,000
Trade creditors		1,131,376	1,112,662
Corporation tax		79,326	390,461
Other taxation and social security		652,557	1,174,647
Accruals and deferred income		1,642,922	1,940,356
		<u>4,406,181</u>	<u>10,868,126</u>

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

	Notes	2019	2018
		£	£
Bank loans and overdrafts	17	4,675,000	-

### 17 Loans and overdrafts

	2019	2018
	£	£
Bank loans	<u>5,575,000</u>	<u>6,250,000</u>
Payable within one year	900,000	6,250,000
Payable after one year	<u>4,675,000</u>	<u>-</u>

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.

# CASTLE LEISURE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 DECEMBER 2019

### 18 Provisions for liabilities

	Notes	2019 £	2018 £
Deferred tax liabilities	19	21,500	-

### 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:

	Liabilities 2019 £	Liabilities 2018 £	Assets 2019 £	Assets 2018 £
<b>Balances:</b>				
(Decelerated)/accelerated capital allowances	31,200	-	-	40,000
Other timing differences	(9,700)	-	-	22,000
	<u>21,500</u>	<u>-</u>	<u>-</u>	<u>62,000</u>
<b>Movements in the year:</b>				2019 £
Asset at 31 December 2018				(62,000)
Charge to profit or loss				83,500
Liability at 29 December 2019				<u>21,500</u>

The deferred tax liability set out above is expected to reverse within 12 months and relates to accelerated capital allowances that are expected to mature within the same period.

### 20 Retirement benefit schemes

	2019 £	2018 £
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	816,665	895,290

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.

# CASTLE LEISURE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 DECEMBER 2019

### 21 Share capital

	2019 £	2018 £
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
228,948 Ordinary shares of £1 each	228,948	231,628

#### Reconciliation of movements during the year:

	Ordinary Number
At 31 December 2018	231,628
Issue of fully paid shares	300
Redemption of shares	(2,980)
At 29 December 2019	228,948

### 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:

	2019 £	2018 £
Within one year	614,324	626,140
Between two and five years	896,835	1,484,074
	1,511,159	2,110,214

### 24 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2019 £	2018 £
Acquisition of tangible fixed assets	625,000	610,000

# CASTLE LEISURE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 29 DECEMBER 2019

### 25 Related party transactions

#### Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2019 £	2018 £
Aggregate compensation	1,561,252	1,726,057

#### Transactions with related parties

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

	Dividend payments	
	2019 £	2018 £
Key management personnel	119,024	115,608

### 26 Directors' transactions

Dividends totalling £142,915 (2018 - £139,804) were paid in the year in respect of shares held by the company's directors.

During the year an interest-free loan of £500,000 was advanced to the company by one of the directors. The amount was repaid in full during the year.

### 27 Cash generated from operations

	2019 £	2018 £
Profit for the year after tax	2,652,198	2,291,302
<b>Adjustments for:</b>		
Taxation charged	487,826	709,598
Finance costs	138,963	149,710
Loss/(gain) on disposal of tangible fixed assets	4,013	(19,621)
Depreciation and impairment of tangible fixed assets	3,348,809	3,321,271
<b>Movements in working capital:</b>		
Increase in stocks	(22,248)	(2,655)
Decrease/(increase) in debtors	5,994	(12,885)
(Decrease)/increase in creditors	(800,810)	634,978
<b>Cash generated from operations</b>	<b>5,814,745</b>	<b>7,071,698</b>

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.