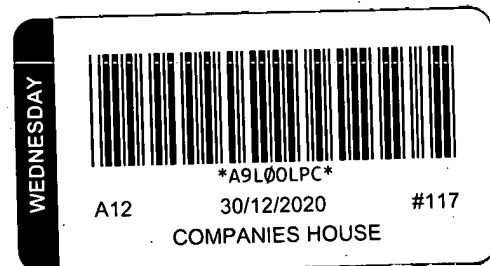


HIPPODROME CASINO LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2019



HIPPODROME CASINO LIMITED

COMPANY INFORMATION

Directors	Mr J S Thomas Mr J D Thomas Mr M King Mr J Barnsley Mr J Edwins Mr J R Delf Mr T Bowry-Blum
Company number	05497987
Registered office	Cranbourn Street London WC2H 7JH
Auditor	RSM UK Audit LLP Chartered Accountants Marlborough House Victoria Road South Chelmsford Essex CM1 1LN

HIPPODROME CASINO LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present the strategic report for the year ended 31 December 2019.

Fair review of the business and future developments

During 2019, the business increased turnover across all activities, driven by a strong trading performance in the second half of the year. Live and electronic gaming performed well, both restaurant and bars revenues grew significantly, driven by the first full year trading of Magic Mike in the theatre which continued its sell out performances. We continued to invest in new facilities, with work to extend our outdoor spaces by adding a new fourth and fifth floor starting in December 2019 and added new data base management and table management systems to improve efficiency. January and February 2020 were strong trading months, building on the achievements in the second half of 2019. In March 2020 we felt the full impact of Covid-19, the effects of which are described fully in note 29. Despite the disruption and costs suffered in 2020, the business prospects in the medium term remain considerable. We have two new outdoor floors complete and ready to trade fully. We have developed a new poker space and casino floor area and have other spaces to develop which would accommodate any increase in slot machine numbers that may arise as a result of the forthcoming Gambling review. The Magic Mike show is due to return in early 2021. The business has cut costs and improved efficiency and demonstrated its ability to control losses even under the most extreme operating restrictions. Covid-19 restrictions will ease during 2021 and the business is well placed to take advantage of the operating environment as it develops.

Statement by the directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006

The board of directors consider that they have acted in a manner most likely to promote the success of the company for the stakeholders of the company as a whole.

Customer

The business has always focused on strategies for long term success. At the heart of our strategy is the customer. We aim to provide a fun and accessible environment and deliver a world class customer experience. We are constantly investing in our unique building to substantially improve the offering to the customer.

Employees

Fundamental to the delivery of our vision are our staff. We strive to be a responsible employer and this is reflected in our approach to pay, benefits and the health, safety and wellbeing of our staff.

In 2020, as a result of UK Government restrictions intended to control the spread of Covid-19 we had no alternative but to enter into a redundancy consultation resulting in the loss of 250 positions, a third of our workforce.

We seek to attract and retain the best staff talent. We will continue to invest in developing these staff and providing the training and resources for varied and rewarding career paths.

Every staff member is invited to a presentation from key operational management where the vision of the company is outlined.

The company has invested heavily in employee engagement and training. We are in the process of re-developing our staff appraisal processes to align across the company with a focus on employee development.

We have an active forum on the staff app where employees are encouraged to feedback ideas and views. Senior managers actively participate on the forum and engage with employees across the business.

Suppliers

The company maintains an excellent relationship with its suppliers. We pay over 95% of our invoices within the agreed terms and work actively to resolve issues as they arise.

The directors are committed to the highest standards in relation to GDPR requirements and use third party consultants to ensure compliance prior to engagement.

HIPPODROME CASINO LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Credit providers

We have a long standing relationship with our credit providers. There is an emphasis on openness and integrity in all our dealings and we have recently agreed a new financing deal over the next 3 years.

Regulators

Maintenance of the relevant licenses is key to the continued operation of the business and as such the relationship with the regulators is essential to the future success of the business. No key strategic decision is made without consideration of how such a decision would be perceived.

The company continues to invest in compliance. The internal team has expanded and we have invested in technological solutions to assist the team.

Community

The Directors are supportive of the local and wider community.

In addition the company contributes to a range of charities and community projects both in terms of financial commitments, or use of our facilities. We also encourage our employees to contribute to a variety of charitable and fundraising events.

Principal risks and uncertainties

The company's activities are subject to risks and uncertainties. The principal risks and how the company manages them are outlined below but further information can be found in the directors report:

- a. Loss of licenses – The gaming license is fundamental to our primary activity. The loss of such a license would have a material and adverse effect on the company. The company has in house Compliance and Risk departments, which ensure compliance with gaming regulations and industry best practice;
- b. Cash flow – As with all businesses ensuring there is sufficient cash to meet its liabilities as they fall due is essential to the continued operation. We manage this risk with cash flow forecasting. The company seeks to minimise liquidity risk by maintaining adequate cash reserves;
- c. Covid-19 or similar – 2020 has seen two full scale lockdowns, further closure under Tier 4 restrictions, and some conditions on opening which are very restrictive on trade. The business has restructured so it is carrying less employment costs. We use flexible contracts where possible. We are investigating ways of controlling or reducing fixed costs should further lockdowns occur.

Financial risk and management objectives and policies

The directors consider that the company's key financial instruments are preference shares. The facility provides known interest costs for the long term. Consequently no hedging instruments are required.

The company's operations expose it to a variety of financial risks that include the effects of changes in credit and liquidity risk. The company looks to maintain sufficient reserves to meet fluctuations in gaming results.

The company has implement policies that require appropriate checks on potential customers and operates in strict compliance with the Gambling Act 2005 and industry guidelines on the provision of cheque cashing facilities.

HIPPODROME CASINO LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Key performance indicators

The business monitors its progress against a number of KPI's including

	2019	2018
Revenue	£92.2m	76.5m
EBITDA	£6.4m	£5.1m
Tax Burden	£34.4m	£32.3m

The Casino Sector continues to be heavily taxed under the current UK tax system. During the financial year to December 2019 the company paid out £34.4m in duties, social security, PAYE, VAT and licensing costs. The tax burden accounts for 37% of our turnover.

The company employs 762 employees in addition to over 50 full time equivalents on a contracted basis.

Non financial performance measures

The company also monitors its progress against non-financial KPI's

We have an independent mystery shopper program. The customer experience across all operational departments is measured against preset criteria and we are fed back with a % score. The score is scrutinized and acted upon to ensure a consistent excellent service across the entire business.

The company also looks at key performance indicators such as attendance, visits per customer, time since last visit, drop and theoretical win. These KPI's have not been disclosed as we consider them to be market sensitive.

On behalf of the board

.....
Mr M King
Director

Date: 23.12.2020

HIPPODROME CASINO LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their annual report and financial statements for the year ended 31 December 2019.

Principal activities

The principal activity of the company continued to be that of a gaming and entertainment establishment.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr J S Thomas	
Mr J D Thomas	
Mr M King	
Mr J Barnsley	
Mr G Templer	(Resigned 1 November 2020)
Mr J Edwins	
Mr J R Delf	(Appointed 22 January 2019)
Mr T Bowry-Blum	(Appointed 1 November 2020)

Results and dividends

The results for the year are set out on page 10.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend (2018: £Nil).

Qualifying third party indemnity provisions

The company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Disabled persons

The company recognises its obligations towards disabled persons and endeavours to provide as much employment opportunity as the demands of the company's operations and the abilities of those persons allow.

Applications for employment from disabled persons are reviewed with care and every effort is made to find them, and any existing employees who become disabled, appropriate work and training where needed. It is policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of a person who does not suffer from a disability.

The company is committed to employee consultation at all levels and encourages their involvement in the development of the company's business. The company operates an in-house newsletter to underpin the employee communications programme.

Employee involvement

The company's policy is to consult and discuss with employees, staff councils and at meetings, matters likely to affect employees' interests.

Information of matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the company's performance.

HIPPODROME CASINO LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Post reporting date events

Along with many businesses, the trading and financial performance of the company has been significantly affected during 2020 by the Covid-19 pandemic. In March 2020 a national lock down was announced by the UK Government requiring all but essential businesses in the UK to close. We closed on 20 March 2020 and were permitted to reopen on 15 August 2020.

Despite social distancing regulations reducing both building capacity and live gaming facilities, income levels across the business reached 70% of pre Covid levels, sufficient to return the business to EBITDA profitability after the cost reduction measures described below had been undertaken. However, on 24 September 2020, the UK Government introduced a curfew requiring businesses to close at 10pm. The effect of this restriction was significant. As a late-night entertainment venue, more than half of our income is generated after 10pm. This reduction in income resulted in an EBITDA loss for October 2020 of £100k, comfortably managed within the overall financial resources of the business.

On 4 November 2020, along with all hospitality and entertainment venues, we were once again closed by UK Government order as a result of Covid-19. We were permitted to open again on 2 December and early trading had been encouraging but we have been forced to close again under Tier 4 restrictions. We have demonstrated our ability to limit EBITDA losses under the most significant trading restrictions and as restrictions ease, we anticipate a return to profit.

Our Theatre operations have remained closed since March 2020.

Due to the significant impact of Government restrictions on our income levels we had no option but to undergo a restructuring of the business, resulting in the redundancy of 250 staff, a third of our workforce. The overall cost of the redundancy exercise is £1million.

The government has offered a number of assistance measures to mitigate the impact of Covid-19 and we have taken advantage of these wherever possible. The majority of our staff have been furloughed under the government scheme. We are continually investigating the extent to which we can apply for other government assistance.

With support from HMRC, we deferred payment of several liabilities due in relation to various government taxes. We have entered into a Time to Pay arrangement with HMRC for approximately £13million of gaming duties, which has minimized cash outflow in 2020. We continue to work with HMRC to agree a suitable repayment period in 2021, when the economic outlook is clearer.

Our relationship with our bankers Barclays has remained strong and we have recently concluded a refinancing of our existing term loan. We have increased the loan from £13.8million to £15million repayable over 3 years plus a £7.5million Revolving Credit Facility (RCF). This has added a net £8.7million to our facilities.

Depending on the duration of the Covid-19 crisis the company may experience further losses and liquidity restraints. The exact impact remains unknown for 2020 and beyond but the results to date described above indicate that we are able to manage within existing facilities.

The Covid-19 pandemic is expected to result in a material reduction in the carrying value of the company's preference shares, which are presented as a component of debt for accounting purposes. The directors assess the timing and quantum of future cash flows expected in respect of the instruments and discount these to present value using the instrument specific effective interest rate of 8.47% (calculated at the date of initial issue). The timing of redemption is linked to the group's underlying profit forecasts and the availability of distributable reserves. As a result of the Covid-19 pandemic, redemption is now expected to occur over a significantly longer period, which in turn will result in a material reduction in the carrying value of the debt instruments. This cannot be reliably measured and has been disclosed as a non-adjusting post balance sheet event. The directors do not anticipate any redemptions or cash outflows in connection with the preference shares in the period to December 2021.

Auditor

The auditor, RSM UK Audit LLP, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

HIPPODROME CASINO LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

Going concern

The COVID-19 pandemic has developed rapidly in 2020. The resulting impact of the virus on the operations and measures taken by various governments to contain the virus have negatively affected the group's results in the reporting period. The currently known impacts of COVID-19 on the group are:

- A projected decline in revenues for 2020 compared with 2019 of 55%
- Closure of the group's property under national lockdowns and Tier 4 restrictions
- A restructuring costing £1million and resulting in a contraction of staff down to 498
- Uncertainty over restrictions on trade when we reopen.

These developments result in a forecast net loss of £12million for 2020.

Whilst closed, we anticipate a loss of £1million per month. We have, where possible, deferred payments to reduce the cash outflow during this period. These liabilities do ultimately become payable.

The directors have taken steps as outlined in both note 29 and the strategic and directors' reports in response to Covid-19 and prepared cashflow forecasts with prudent assumptions based upon the current crisis. Following the successful extension of the group's loan facilities with its bankers on 16 December 2020, the directors remain confident that they will have sufficient headroom in order to meet all liabilities as they fall due for at least 12 months of the signing of these statements. The lifting of the current lockdown and the severity of the restrictions once we reopen are beyond our control but reasonable estimates in relation to these matters have been applied to future cash flow forecasting.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. Management believe that the level of financial facilities available and the trading results under restrictions demonstrate that a going concern assumption is appropriate.

Matters of strategic importance

Certain information required by Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 has been included in the separate Strategic report in accordance with section 414C(11) of the Companies Act 2006.

On behalf of the board



Mr M King
Director

Date: 23 December 2020

HIPPODROME CASINO LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HIPPODROME CASINO LIMITED

Opinion

We have audited the financial statements of Hippodrome Casino Limited (the 'company') for the year ended 31 December 2019 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity 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 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 other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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 the 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HIPPODROME CASINO LIMITED (CONTINUED)

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 set out on page 7, 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.

RSM UK Audit LLP

Andrew Monteith (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Marlborough House
Victoria Road South
Chelmsford
Essex, CM1 1LN
24.12.2020.....

HIPPODROME CASINO LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	2018 £
Turnover	3	92,248,635	76,517,718
Cost of sales		(41,045,724)	(30,807,567)
Gross profit		51,202,911	45,710,151
Administrative expenses		(48,155,301)	(43,587,098)
Operating profit	4	3,047,610	2,123,053
Interest receivable and similar income	8	17,881	9,863
Interest payable and similar expenses	9	(3,230,970)	(3,318,042)
Other gains and losses	10	8,644,975	7,820,421
Profit before taxation		8,479,496	6,635,295
Tax on profit	11	(766,856)	(644,775)
Profit for the financial year		7,712,640	5,990,520

The Statement of Comprehensive Income has been prepared on the basis that all operations are continuing operations.

HIPPODROME CASINO LIMITED**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019**

	Notes	2019 £	£	2018 £	£
Fixed assets					
Intangible assets	12	15,190		-	
Tangible assets	13	47,734,825		48,600,196	
Investments	14	31,001		31,001	
		<u>47,781,016</u>		<u>48,631,197</u>	
Current assets					
Stocks	16	346,236		352,714	
Debtors	17	4,809,014		3,554,850	
Cash at bank and in hand		18,162,347		20,120,322	
		<u>23,317,597</u>		<u>24,027,886</u>	
Creditors: amounts falling due within one year	18	(16,397,809)		(19,949,631)	
Net current assets		<u>6,919,788</u>		<u>4,078,255</u>	
Total assets less current liabilities		<u>54,700,804</u>		<u>52,709,452</u>	
Creditors: amounts falling due after more than one year	19	(27,824,762)		(33,621,957)	
Provisions for liabilities	22	(1,231,291)		(1,155,384)	
Net assets		<u>25,644,751</u>		<u>17,932,111</u>	
Capital and reserves					
Called up share capital	25	9,662,983		9,662,983	
Profit and loss reserves	26	15,981,768		8,269,128	
Total equity		<u>25,644,751</u>		<u>17,932,111</u>	

The financial statements were approved by the board of directors and authorised for issue on 23.12.2020 and are signed on its behalf by:

.....
Mr M King
Director

.....
Mr J Edwins
Director

HIPPODROME CASINO LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital £	Share premium account £	Profit and loss reserves £	Total £
Balance at 1 January 2018	9,662,983	4,796,038	2,278,608	16,737,629
Year ended 31 December 2018:				
Profit and total comprehensive income for the year	-	-	5,990,520	5,990,520
Bonus issue of shares	-	(4,796,038)	-	(4,796,038)
Balance at 31 December 2018	9,662,983	-	8,269,128	17,932,111
Year ended 31 December 2019:				
Profit and total comprehensive income for the year	-	-	7,712,640	7,712,640
Balance at 31 December 2019	9,662,983	-	15,981,768	25,644,751

HIPPODROME CASINO LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

Company information

Hippodrome Casino Limited is a private company limited by shares and is registered and incorporated in England and Wales. The registered office is Cranbourn Street, London, WC2H 7JH.

The company's principal activities and nature of its operations are disclosed in the Directors' Report.

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, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

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.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;

The financial statements of the company are consolidated in the financial statements of Hippodrome Holdings Limited. These consolidated financial statements are available from its registered office, Cranbourn Street, London, WC2H 7JH.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

HIPPODROME CASINO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies (Continued)

Going concern

The COVID-19 pandemic has developed rapidly in 2020. The resulting impact of the virus on the operations and measures taken by various governments to contain the virus have negatively affected the company's results in the reporting period. The currently known impacts of COVID-19 on the company are:

- A projected decline in revenues for 2020 compared with 2019 of 55%
- Closure of the company's property under national lockdowns and Tier 4 restrictions
- A restructuring costing £1million and resulting in a contraction of staff down to 498
- Uncertainty over restrictions on trade when we reopen.

These developments result in a forecast net loss of £12million for 2020

Whilst closed, we anticipate a loss of £1million per month. We have, where possible, deferred payments to reduce the cash outflow during this period. These liabilities do ultimately become payable.

The directors have taken steps as outlined in both note 29 and the strategic and directors' reports in response to Covid-19 and prepared cashflow forecasts with prudent assumptions based upon the current crisis. The directors remain confident that they will have sufficient headroom in order to meet all liabilities as they fall due for at least 12 months of the signing of these statements. The lifting of the current lockdown and the severity of the restrictions once we reopen are beyond our control but reasonable estimates in relation to these matters have been applied to future cash flow forecasting.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. Management believe that the level of financial facilities available and the trading results under restrictions demonstrate that a going concern assumption is appropriate.

Turnover

Turnover is recognised in the financial statements at the point at which the goods are sold or the services performed. Turnover principally comprises net gaming wins together with revenue generated from the sale of tickets, food, beverage and tobacco, at selling price exclusive of Value Added Tax.

The company provides a customer loyalty programme in the form of reward points for customers to redeem against certain of the casino's services. The fair value of the loyalty scheme is assessed at the reporting date, based on the level of points accrued and management's assessment of the most likely redemption method. The amount to be deferred is included at the reporting date within accruals and released once the points have either been redeemed or expired.

Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	20% reducing balance
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HIPPODROME CASINO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies (Continued)

Tangible fixed assets

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

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Short leasehold property	straight line over the course of the lease
Equipment	20% reducing balance basis
Fixtures and fittings	20% reducing balance basis

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.

Residual value is calculated on prices prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

Fixed asset investments

Interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Impairment of fixed assets

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

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

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

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

HIPPODROME CASINO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies (Continued)

Stocks

Stocks are valued at the lower of cost and estimated selling price less costs to complete and sell. Provision is made for obsolete and slow moving items.

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 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 trade and other debtors and amounts owed by group undertakings, 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 financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Impairment of financial assets

Financial assets 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.

HIPPODROME CASINO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies (Continued)

Basic financial liabilities

Basic financial liabilities, including trade and other creditors 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.

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

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

When there is a change in the estimated future cash flows, the financial liability is subsequently re-measured using the original effective interest rate. Any remeasurement gain or loss is recognised in profit and loss.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's contractual obligations are discharged, cancelled, or they expire or if there has been a fundamental or substantive change to the underlying terms.

Equity instruments

Equity instruments issued by the company are recorded at the fair value of 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.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is not discounted.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

HIPPODROME CASINO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies (Continued)

Retirement benefits

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year. The assets of the scheme are held separately from those of the company in an independently administered fund. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

All other leases are "operating leases" and the annual rentals are charged to profit and loss on a straight line basis over the lease term.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

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.

HIPPODROME CASINO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

2 Judgements and key sources of estimation uncertainty (Continued)

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows:

Depreciation

Depreciation charges to recognise consumption of economic benefits of tangible fixed assets by the entity are calculated based on rates of depreciation. Depreciation rates are determined by estimation of the diminution in the recoverable amounts in respect of tangible fixed assets over their estimated useful economic lives.

Re-measurement of financial instruments

The directors have assessed the substance of the company's Preference and A Preference shares and are of the view that these instruments are debt, as opposed to equity. Accordingly, they are presented as a component of liabilities and held at amortised cost.

In determining the carrying value of the liabilities as at the reporting date, the directors estimate the timing and quantum of future cash flows expected to arise in connection with the instruments and discount these back to their present value, using the original effective interest rate. Any revisions to the carrying value of the instruments as a result of changes to the directors' estimate of future cash flows are recorded as income or expense in the year of reassessment.

3 Turnover and other revenue

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

Turnover analysed by geographical market

	2019 £	2018 £
UK	92,248,635	76,517,718

The analysis of turnover by class of business has not been given as in the opinion of the directors such disclosure would be seriously prejudicial to the interests of the company.

4 Operating profit

	2019 £	2018 £
Operating profit for the year is stated after charging:		
Exchange losses	480	9,263
Depreciation of owned tangible fixed assets	3,203,210	2,946,091
Depreciation of tangible fixed assets held under finance leases	100,286	103,877
Loss on disposal of tangible fixed assets	146,504	-
Cost of stocks recognised as an expense	3,783,390	3,204,905
Operating lease charges	3,720,796	3,630,307

HIPPODROME CASINO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

5 Auditor's remuneration

	2019 £	2018 £
Fees payable to the company's auditor and its associates:		
For audit services		
Audit of the financial statements of the company	53,000	51,250

Statutory information on remuneration for other services provided by the company's auditor and its associates is given on a consolidated basis in the group accounts of the parent company, Hippodrome Holdings Limited.

6 Employees

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

	2019 Number	2018 Number
Gaming and hospitality staff	741	687
Administrative staff	21	18
	<u>762</u>	<u>705</u>

Their aggregate remuneration comprised:

	2019 £	2018 £
Wages and salaries	20,909,800	19,229,461
Social security costs	1,967,580	1,834,694
Pension costs	577,609	424,521
	<u>23,454,989</u>	<u>21,488,676</u>

7 Directors' remuneration

	2019 £	2018 £
Remuneration for qualifying services	1,044,960	875,598
Company pension contributions to defined contribution schemes	6,360	15,000
	<u>1,051,320</u>	<u>890,598</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2018 - 1).

HIPPODROME CASINO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

7 Directors' remuneration (Continued)

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

	2019 £	2018 £
Remuneration for qualifying services	319,197	298,277

8 Interest receivable and similar income

	2019 £	2018 £
Interest income		
Interest on bank deposits	17,881	9,863

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	17,881	9,863
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9 Interest payable and similar expenses

	2019 £	2018 £
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	363,724	414,060
Interest on finance leases and hire purchase contracts	19,466	42,412
Interest on redeemable preference shares not classified as equity	2,847,780	2,861,570
	3,230,970	3,318,042

Interest on redeemable preference shares includes interest of £776,015 (2018: £800,240) in respect of shares held by group undertakings.

10 Other gains and losses

	2019 £	2018 £
Re-measurement of financial liabilities	8,644,975	7,820,421

11 Taxation

	2019 £	2018 £
Current tax		
UK corporation tax on profits for the current period	661,194	189,391
Adjustments in respect of prior periods	29,755	-
Total current tax	690,949	189,391

HIPPODROME CASINO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

11 Taxation (Continued)

Deferred tax

Origination and reversal of timing differences	136,978	455,384
Adjustment in respect of prior periods	(61,071)	-
	<u>75,907</u>	<u>455,384</u>
Total deferred tax		
	<u>75,907</u>	<u>455,384</u>
Total tax charge	766,856	644,775
	<u>766,856</u>	<u>644,775</u>

The total tax charge for the year included in the income statement can be reconciled to the profit before tax multiplied by the standard rate of tax as follows:

	2019 £	2018 £
Profit before taxation	8,479,496	6,635,295
	<u>8,479,496</u>	<u>6,635,295</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	1,611,104	1,260,706
Tax effect of expenses that are not deductible in determining taxable profit	711,854	566,744
Tax effect of income not taxable in determining taxable profit	(1,642,545)	(1,485,880)
Adjustments in respect of prior years	(31,316)	-
Effect of change in corporation tax rate	(16,114)	-
Group relief	(74,525)	-
Fixed asset differences	208,398	303,205
	<u>766,856</u>	<u>644,775</u>
Taxation charge for the year		
	<u>766,856</u>	<u>644,775</u>

12 Intangible fixed assets

	Software £
Cost	
Additions	15,190
	<u>15,190</u>
At 31 December 2019	15,190
	<u>15,190</u>
Carrying amount	
At 31 December 2019	15,190
	<u>15,190</u>
At 31 December 2018	-
	<u>-</u>

HIPPODROME CASINO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

13 Tangible fixed assets

	Short leasehold property £	Equipment £	Fixtures and fittings £	Total £
Cost				
At 1 January 2019	52,245,412	10,250,702	5,631,188	68,127,302
Additions	38,227	1,830,054	716,890	2,585,171
Disposals	-	(614,291)	-	(614,291)
At 31 December 2019	52,283,639	11,466,465	6,348,078	70,098,182
Depreciation and impairment				
At 1 January 2019	11,207,711	5,371,288	2,948,107	19,527,106
Depreciation charged in the year	1,741,512	993,048	568,936	3,303,496
Eliminated in respect of disposals	-	(467,245)	-	(467,245)
At 31 December 2019	12,949,223	5,897,091	3,517,043	22,363,357
Carrying amount				
At 31 December 2019	39,334,416	5,569,374	2,831,035	47,734,825
At 31 December 2018	41,037,701	4,879,414	2,683,081	48,600,196

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases:

	2019 £	2018 £
Equipment	313,339	357,041

The tangible fixed assets of the company have been pledged to secure borrowings of the parent company, Hippodrome Holdings Limited.

14 Fixed asset investments

	Notes	2019 £	2018 £
Investments in subsidiaries	15	1,000	1,000
Unlisted investments		30,001	30,001
		31,001	31,001

HIPPODROME CASINO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

14 Fixed asset investments (Continued)

Movements in fixed asset investments

	Shares in group undertakings	Other investments other than loans	Total
	£	£	£
Cost or valuation			
At 1 January 2019 & 31 December 2019	1,000	30,001	31,001
Carrying amount			
At 31 December 2019	1,000	30,001	31,001
At 31 December 2018	1,000	30,001	31,001

15 Subsidiaries

Details of the company's subsidiaries at 31 December 2019 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Regent Street Services Limited	3rd Floor, 1 London Square, Cross Lanes, Guildford, GU1 1UN	Dormant	Ordinary shares	100.00	-

16 Stocks

	2019 £	2018 £
Finished goods and goods for resale	346,236	352,714

17 Debtors

	2019 £	2018 £
Amounts falling due within one year:		
Trade debtors	447,441	151,140
Corporation tax recoverable	63,902	-
Amounts owed by group undertakings	2,850,741	1,400,037
Other debtors	45,585	100,293
Prepayments and accrued income	1,401,345	1,903,380
	4,809,014	3,554,850

HIPPODROME CASINO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

17 Debtors (Continued)

Included within other debtors above is a bad debt provision of £78,500 (2018: £78,500).

The inter-company debtor is repayable in full by way of a single repayment due within five business days of the final settlement on the senior (bank) loan facilities within the parent company. Interest is charged at a variable rate as determined and agreed by both parties from time to time.

18 Creditors: amounts falling due within one year

	Notes	2019 £	2018 £
Obligations under finance leases	21	212,332	332,153
Trade creditors		3,057,315	4,716,361
Corporation tax		-	117,391
Other taxation and social security		674,197	1,321,709
Other creditors		11,621,189	12,044,594
Accruals and deferred income		832,776	1,417,423
		<u>16,397,809</u>	<u>19,949,631</u>

19 Creditors: amounts falling due after more than one year

	Notes	2019 £	2018 £
Other borrowings	20	<u>27,824,762</u>	<u>33,621,957</u>

20 Borrowings

	2019 £	2018 £
Preference shares	<u>27,824,762</u>	<u>33,621,957</u>
Payable after one year	<u>27,824,762</u>	<u>33,621,957</u>

HIPPODROME CASINO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

20 Borrowings (Continued)

Redeemable preference shares are comprised of 23,906,293 (2018: 23,906,293) Preference Shares of £1 each and 23,800,446 (2018: 23,800,446) Preference 'A' Shares of £1 each.

Both classes of preference shares may be redeemed at the company's option at any time without payment of a premium. On winding up both sets of preference shares rank equally ahead of only the ordinary shares and will be repaid at par and any accrued preferential dividends. No voting rights are allocated to either class of preference shares. The holders of the Preference Shares of £1 each are entitled to a fixed non-cumulative preferential dividend of 3% on the nominal value, provided there are sufficient profits available for the distribution of the entire (and not part) of the amount of the calculated dividend, with such distributable profits being determined with reference to the final audited accounts of the company for that year and also provided the group retain free cash flow in excess of £6,000,000.

Preference Shares are recognised as a basic financial liability and are measured at amortised cost using an effective interest rate. The total value of Preference Shares at amortised cost using the effective interest rate at the reporting date is £13,943,248 (2018: £16,848,277).

'A' Preference Shares are recognised as a basic financial liability and are measured at amortised cost using an effective interest rate. The total value of 'A' Preference Shares at amortised cost using the effective interest rate at the reporting date is £13,881,514 (2018: £16,773,680).

	£
Carrying value of Preference and A Preference shares as at 1 January 2019	33,621,957
Interest charge in respect of preference shares	2,847,780
Re-measurement of expected future cash flows	(8,644,975)
	<u>27,824,762</u>
Carrying value of Preference and A Preference shares as at 31 December 2019	<u>27,824,762</u>

21 Finance lease obligations

	2019 £	2018 £
Future minimum lease payments due under finance leases:		
Less than five years	212,332	332,153
	<u>212,332</u>	<u>332,153</u>

Hire purchase agreements are secured against the assets to which they relate.

The company's significant leasing arrangements are in respect of leased gaming machines.

22 Provisions for liabilities

	Notes	2019 £	2018 £
Deferred tax liabilities	23	1,231,291	1,155,384
		<u>1,231,291</u>	<u>1,155,384</u>

HIPPODROME CASINO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

23 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 £
Balances:		
Accelerated capital allowances	1,237,651	1,155,384
Short term timing differences	(6,360)	-
	<u>1,231,291</u>	<u>1,155,384</u>
Movements in the year:		2019 £
Liability at 1 January 2019		1,155,384
Charge to profit or loss		75,907
Liability at 31 December 2019		<u>1,231,291</u>

The deferred tax liability set out above is expected to reverse by £nil within the next 12 months.

24 Retirement benefit schemes

	2019 £	2018 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	<u>577,609</u>	<u>424,521</u>

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

Contributions totalling £67,164 (2018: £33,904) were payable to the fund at the year end and are included in creditors.

HIPPODROME CASINO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

25 Share capital

	2019 £	2018 £
Ordinary share capital		
Issued and fully paid		
9,053,673 Ordinary 'A' shares of £1 each	9,053,673	9,053,673
296,172 Ordinary 'B' shares of 1p each	2,961	2,961
606,349 Deferred shares of £1 each	606,349	606,349
	<u>9,662,983</u>	<u>9,662,983</u>

The Ordinary 'A' Shares have attached full voting, rights to dividend and capital distribution (including on winding up) rights (subject to provisions in the Articles of Association). The Ordinary 'A' Shares do not confer any rights of redemption.

Ordinary 'B' Shares are entitled to a dividend payable and distribution on a winding up in line with Ordinary 'A' Shares. The Ordinary 'B' Shares are non-voting.

The Deferred shares have attached to them capital distribution (including on winding up) rights (subject to provisions in the Articles of Association). The Deferred shares do not confer any rights to vote or receive a dividend and are not redeemable.

On 10 April 2019, the company's parent, Hippodrome Holdings Limited, acquired 184,805 £1 A Redeemable Preference shares and 203,729 £1 Redeemable Preference shares currently in issue for consideration of £388,534 from an existing shareholder.

26 Profit and loss reserves

Profit and loss account reserve represents cumulative profit and loss net of distributions to owners.

The Profit and Loss reserves combines realised gains and losses with certain unrealised gains and losses linked to the re-measurement of equity instruments treated as debt. The balance on the distributable element of the profit and loss reserves as at 31 December 2019 was a deficit of £9,740,050 (2018: £8,807,715 deficit).

HIPPODROME CASINO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

27 Operating lease commitments

Lessee

Operating lease payments represent rentals payable by the company in respect of leases of its properties. The company's operating leases have non-cancellable terms of 30 years from inception of the lease. Lease costs are renegotiated at various break points over the term of the lease. Leases include minimum increases based on market rates up to each break point in the lease.

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	3,005,000	3,005,000
Between one and five years	12,020,000	12,020,000
In over five years	39,325,000	42,330,000
	<u>54,350,000</u>	<u>57,355,000</u>

28 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2019 £	2018 £
Acquisition of tangible fixed assets	<u>2,451,087</u>	<u>-</u>

HIPPODROME CASINO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

29 Events after the reporting date

Along with many businesses, the trading and financial performance of the company has been significantly affected during 2020 by the Covid-19 pandemic. In March 2020 a national lock down was announced by the UK Government requiring all but essential businesses in the UK to close. We closed on 20 March 2020 and were permitted to reopen on 15 August 2020.

Despite social distancing regulations reducing both building capacity and live gaming facilities, income levels across the business reached 70% of pre Covid levels, sufficient to return the business to EBITDA profitability after the cost reduction measures described below had been undertaken. However, on 24 September 2020, the UK Government introduced a curfew requiring businesses to close at 10pm. The effect of this restriction was significant. As a late-night entertainment venue, more than half of our income is generated after 10pm. This reduction in income resulted in an EBITDA loss for October 2020 of £100k, comfortably managed within the overall financial resources of the business.

On 4 November 2020, along with all hospitality and entertainment venues, we were once again closed by UK Government order as a result of Covid-19. We were permitted to open again on 2 December and early trading had been encouraging but we have been forced to close again under Tier 4 restrictions. We have demonstrated our ability to limit EBITDA losses under the most significant trading restrictions and as restrictions ease, we anticipate a return to profit.

Our Theatre operations have remained closed since March 2020.

Due to the significant impact of Government restrictions on our income levels we had no option but to undergo a restructuring of the business, resulting in the redundancy of 250 staff, a third of our workforce. The overall cost of the redundancy exercise is £1million.

The government has offered a number of assistance measures to mitigate the impact of Covid-19 and we have taken advantage of these wherever possible. The majority of our staff have been furloughed under the government scheme. We are continually investigating the extent to which we can apply for other government assistance.

With support from HMRC, we deferred payment of several liabilities due in relation to various government taxes. We have entered into a Time to Pay arrangement with HMRC for approximately £13million of gaming duties, which has minimized cash outflow in 2020. We continue to work with HMRC to agree a suitable repayment period in 2021, when the economic outlook is clearer.

Our relationship with our bankers Barclays has remained strong and we have recently concluded a refinancing of our existing term loan. We have increased the loan from £13.8million to £15million repayable over 3 years plus a £7.5million Revolving Credit Facility (RCF). This has added a net £8.7million to our facilities.

Depending on the duration of the Covid-19 crisis the company may experience further losses and liquidity restraints. The exact impact remains unknown for 2020 and beyond but the results to date described above indicate that we are able to manage within existing facilities.

The Covid-19 pandemic is expected to result in a material reduction in the carrying value of the company's preference shares, which are presented as a component of debt for accounting purposes. The directors assess the timing and quantum of future cash flows expected in respect of the instruments and discount these to present value using the instrument specific effective interest rate of 8.47% (calculated at the date of initial issue). The timing of redemption is linked to the group's underlying profit forecasts and the availability of distributable reserves. As a result of the Covid-19 pandemic, redemption is now expected to occur over a significantly longer period, which in turn will result in a material reduction in the carrying value of the debt instruments. This cannot be reliably measured and has been disclosed as a non-adjusting post balance sheet event. The directors do not anticipate any redemptions or cash outflows in connection with the preference shares in the period to December 2021.

HIPPODROME CASINO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

30 Directors' transactions

During the year the company paid £36,839 (2018: £47,952) in machine rental charges purchased from World Bingo Tech Limited, a company controlled by J S Thomas. At 31 December 2019, £5,233 (2018: £3,348) was owed by the company to World Bingo Tech Limited. All purchases are on an arms length basis.

31 Ultimate controlling party

The immediate and ultimate parent undertaking is Hippodrome Holdings Limited, a company incorporated in England and Wales, which is both the smallest and largest group for which consolidated accounts are prepared including Hippodrome Casino Limited and are available from its registered office Cranbourn Street, London, WC2H 7JH.

J S Thomas and J D Thomas are still considered to be the ultimate controlling parties by virtue of their shareholdings in Hippodrome Holdings Limited.

32 Employee benefits trust

The assets and liabilities of the Employee Benefit Trust included in the balance sheet of the company are:

	2019	2018
	£	£
250,100 Ordinary 'B' shares of 0.1p each in Hippodrome Holdings Limited	1,000,000	1,000,000
Amount owed to Hippodrome Casino Limited	(1,000,000)	(1,000,000)
	<u> </u>	<u> </u>
	-	-
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On the 17 July 2018, the company's parent, Hippodrome Holdings Limited ("HHL"), entered into a Share Purchase Agreement ("the SPA") with Peter McNally, a former shareholder of the group, and Link Trustees (Jersey) Limited, the corporate trustee of The Hippodrome Casino Employee Benefit Trust ("the EBT"), to acquire 250,100 0.1p Ordinary B non-voting shares previously issued by HHL. The funds required to pay the purchase price and acquire the shares in accordance with the SPA have been loaned to the EBT by HHL under the terms of a separate loan agreement dated 17 July 2018. Funds totalling £1,000,000 were ultimately advanced by Hippodrome Casino Limited to the EBT via a cash advance on 17 July 2018. As at 31 December 2019, a balance of £1m is reported as due to HCL and included in debtors.

The EBT has been assessed by the directors as an intermediate payment arrangement and have been consolidated into the entity only financial statements of the sponsoring entity, HHL.