

## **Revaluation 2010**

### **Commercial Properties Committee**

#### **Practice Note 14 Valuation of Bingo Halls**

##### **1.0 Introduction**

- 1.1 This practice note applies to the valuation of subjects operating as licensed Bingo Halls, under a restricted gaming licence, with all participants requiring to be members (with membership either free or by payment of a membership charge).

##### **2.0 Basis of Valuation**

- 2.1 These subjects are valued by application of the comparative principle, with the application of an appropriate percentage to receipts. The range of percentages to be applied is shown in Appendix 1.

##### **3.0 Classification**

###### 3.1 Modern Purpose-Built Bingo Halls

- 3.1.1 These may be stand-alone or located on a leisure/retail park (often beside a multiplex cinema) with ample car parking.

###### 3.2 1960s Purpose-Built Bingo Halls

- 3.2.1 These establishments are usually found in town locations and may or may not have their own car parking areas.

###### 3.3 Older Bingo Halls often converted from a previous use, e.g. as a Cinema

- 3.3.1 Generally these establishments are located within town centres or in fairly close proximity to the centre.
- 3.3.2 Varying degrees of adaptation may have been carried out and valuations should be carefully considered to ensure that a realistic account is taken of the extent of adaptation (see 4.6).
- 3.3.3 Where an older building has been modernised to such an extent that the character of the premises is similar to a modern purpose-built bingo hall, it may be appropriate to refer to the modern purpose-built percentages.

## 4.0 Receipts

- 4.1 A Bingo Club member pays for admission, participation and stake money. All the stake money, less gaming duty, is returned to the players as prize money, which means that the main game is non-profit making. The operator of the premises obtains his profit from admission money, participation fees, payments for link and prize bingo, bars and buffet/restaurant, car park takings, advertising revenue etc.
- 4.2 For valuation purposes certified gross receipts (excluding VAT and Gross Profits Tax) from all sources, excluding stake money, should be obtained for the years 2003-2008 and examined for any trend. The figures to be used are those for the year to March 2008 (or the nearest accounting period), adjusted if necessary to take account of any abnormal variations.
- 4.3 Where the returns included income from any café, restaurant or licensed bar and where it is considered that this part of the premises operates in competition with and is similar in character to any nearby shop, licensed restaurant or public house, consideration may be given to excise such income and value the appropriate accommodation by reference to rates prevailing for the similar subjects in the vicinity. In these circumstances the resultant valuations may require downward adjustment to recognise their unum quid nature with the bingo hall. Otherwise such income should be included as part of the total gross receipts.
- 4.4 If live entertainment is provided as an attraction, the income generated should be included in the gross drawings of the bingo hall. If, however, the cost of the entertainment is high in relation to the drawings generated, it may be reasonable to make an adjustment and in extreme cases include only 50% of the "live show" drawings. It is likely that such adjustments will only be made in the older establishments where live entertainment is not the "norm". In the larger modern halls it is more commonplace for live entertainment to be provided.
- 4.5 Where trade is "bought in" by methods such as additional prize money and free transportation of customers, the cost of these attractions may be deducted from the gross receipts, dependent upon the individual circumstances in each case. (See Appendix 2 for appropriate deductions to be applied).
- 4.6 Where it is considered that the value produced by a strict application of percentage of receipts does not properly reflect the age, quality, character or condition or any combination of these factors, a reduction in the percentage applied to the gross receipts may be appropriate.

## 5.0 Car Parks

- 5.1 Whether or not a car park is available will be reflected in the receipts and no further adjustment will be necessary.

5.2 Separate consideration may, however, be required if a separate entry for a car park is necessary.

## 6.0 Valuation on rate per seat basis

6.1 Effective seating capacities may be useful for valuing subjects where no receipts are available.

6.2 In some establishments (particularly in converted cinemas), a proportion of the seating may be surplus to requirements, or operationally unsuitable. Where these conditions apply, the actual seating numbers should be reduced in accordance with the table comprising Appendix 3, in order to identify the effective seating capacity.

### Appendix 1

Gross Receipts	Percentage to NAV	
	All bingo halls excluding modern purpose-built	Modern purpose-built
Up to £ 750,000	6%	
£1,000,000	7%	7.5%
£1,250,000	7%	7.5%
£1,500,000	7%	7.5%
£1,750,000	7%	7.75%
£2,000,000	7%	8%
£2,250,000	7%	8%
£2,500,000	7.25%	8%
£2,750,000	7.25%	8%
£3,000,000	7.25%	8%
£4,000,000+	7.25%	8%
Interpolate between points	A deduction of up to 1% may be made from the above percentages in the case of converted cinemas or other such buildings with little or no adaptation, the extent of the deduction being dependent on the degree of adaptation and modernisation undertaken.	

## **Appendix 2**

In order to recognise the diminishing effect on profitability, where promotional expenditure is greater than 10% of Gross Receipts, the following scale of deductions from the adopted receipts should be applied.

<b>Promotional Expenditure as a Proportion of Gross Receipts</b>	<b>Percentage of Promotional Expenditure <u>in excess of 10% of Gross Receipts</u> allowable as a deduction from Adopted Receipts</b>
11%	10%
12%	20%
13%	30%
14%	40%
15%	50%
16%	55%
17%	60%
18%	65%
19%	70%
20% plus	75%
	Interpolate between points

For the purposes of this adjustment, promotional expenditure will cover the following items:-

Added prize money, give-aways (e.g. gifts and other additional prizes), printing and postage of special promotional flyers, transportation in/out of customers and live entertainment.

## **Appendix 3**

Adjustment to produce “effective number of seats”

<b>Part of Premises</b>	<b>Deduction</b>
Auditorium/stalls	NIL
Merchandised Cash Bingo	NIL
Prize Bingo	NIL
Others	50%
Circle	50%
“Gods”	75%