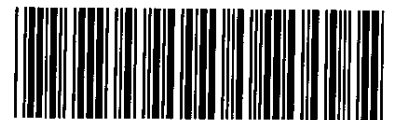


Merkur Casino UK Limited

Annual Report and Financial Statements

For the year ended 31 December 2022

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MERKUR CASINO UK LIMITED

COMPANY INFORMATION

Directors	B Längen S Bruns M Sellenriek M S Schertle
Registered number	08179391
Registered office	Seebeck House 1a Seebeck Place Knowlhill Milton Keynes Buckinghamshire MK5 8FR
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 30 Finsbury Square London EC2A 1AG

MERKUR CASINO UK LIMITED

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MERKUR CASINO UK LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

Introduction

The directors present their strategic report for Merkur Casino UK Limited ("the Company") and its subsidiaries (together referred to as "the Group") for the year ended 31 December 2022.

Business review

The Group's principal activities are the provision of leisure services and entertainment facilities.

In the normal course of business, the Group closed fourteen unprofitable Adult Gaming Centres ("AGC's") (2021: eight along with ceasing its tanning business). All site closures have a positive impact on the profitability of the Group, as only loss-making sites are considered for closure. The Group opened thirty-eight new AGC's in 2022 (2021: thirty-six), increasing the market positioning of the business.

The directors are not aware, at the date of this report, of any likely major changes in the Group's principal activities in the forthcoming year.

Principal risks and uncertainties

Management continually monitors the key risks (as disclosed in the Directors' Report) facing the Group together with assessing the controls used for managing these risks. The board of directors formally reviews and documents the principal risks facing the business at least annually.

COVID-19

Further to the global outbreak of the Coronavirus disease (COVID-19) in 2020, the directors of the Group continue to assess the situation within the UK, and the potential risk to the operation of the business on a regular basis. As life in the UK returns to pre-pandemic normality, the directors believe that the risk to the operation of the business from the future impact of COVID-19 is low but consider that it is important to continually monitoring the ongoing situation. The directors are committed to following the advice and recommendations of the UK Government regarding COVID-19.

Regulation

The changing environment within the gambling and leisure industry, which has arisen as a result of government legislation, represents a key risk to the future profitability of the Group. It is the belief of the directors that appropriate strategies have been put in place, and are being further developed, to ensure the Group is able to take advantage of favourable circumstances which may arise in the sector, or alternatively to minimise the effect of any adverse developments which could affect Group profitability.

The UK Government was due to release their white paper on gambling in September 2021. At the date of signing these financial statements, this has still not been issued. The directors await further information on this, and what it may contain, and will adapt current operations to adhere to the new regulations when they come into force.

Economic climate

The directors consider short- and long-term economic uncertainty to be a principal risk to the business. Inflation and the rising cost of living are increasing costs, and these have been fully considered in the Group's budgets and forecast. The directors are taking steps to mitigate the impact of rising costs wherever possible, including, for example, the purchase of energy in advance to access hedged rates that are as low as possible.

Further information on the Group's risks and strategies are disclosed in the Directors' Report.

Financial key performance indicators

Management use a range of financial performance measures to monitor and manage the business, which are set out below.

Revenue for the year increased by 78.9%, to £173.0m (2021: 30.6% increase to £96.7m). The revenue reported in 2022 reflects a full year of trading compared to 2021 which included a period of mandated closure from 1 January to 17 May 2021 due to COVID-19 restrictions.

The results from operating activities before taxation improved by £4.4m to show an operating loss of £8.8m for the year (2021: loss of £13.2m as restated).

MERKUR CASINO UK LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

Financial key performance indicators (continued)

The continued operating loss is attributable to a number of factors. During the year, the Group has increased provisions in relation to closed sites, onerous leases and dilapidations. This amounted to a charge of £1.0m in 2022, compared to a credit of £1.1m in the prior year. The necessary increase in the onerous lease and dilapidations provisions have largely been driven by inflation and a noticeable increase in costs relevant to these provisions. The closed store provision has benefitted from the release of a provision for £1.9m on the early termination of a property lease. This has reduced the impact of the underlying increase in the provision which was due to the number of closures undertaken during the year as part of the directors' ongoing strategy to close venues where a profit cannot be achieved.

As a result of the current economic situation, in particular the high level of inflation, the Group has incurred higher costs in the year. The directors have supported employees with an additional pay rise in October 2022 to help alleviate the rising cost of living and to boost staff retention. Energy costs remain a concern for the directors, and this is being mitigated as far as possible by accessing the lowest rates of energy cost by hedging them in advance.

There was an adverse impact on profit in 2022 which was expected, and therefore budgeted, as a result of the UK expansion project. On average, the directors expect that a new venue will be loss-making for a period in excess of 12 months whilst it is in its 'start-up phase' – this phase covers the time taken to promote the brand in the local area, develop a customer base, focus on staff training and development, and is also associated with additional depreciation costs due to the high value of construction costs capitalised on the set-up of the new venue.

During the year, the level of the Group's depreciation charge for its machine estate has increased significantly. This is a direct result of the strategy to increase spending on owned machines which has been followed to take advantage of the 130% first year capital allowances available on the investment in new plant. This was introduced by the UK Government in the March 2021 budget ("Super-deduction"). At the date of signing these financial statements it is expected that the 'Super-deduction' tax allowances will end on 31 March 2023, and the directors will update the Group's investment strategy to reflect the less generous tax relief available on owned assets compared to leased assets.

The Group also incurred a charge of £2.9m relating to the restatement of the carrying value of a loan with the parent company. This arose from a revision to the future cash flows relating to the loan, due to an increase in the interest rate charged. In 2021, a similar review of the expected cash flows resulted in a £1.1m credit to the Consolidated Statement of Comprehensive Income. Further detail of this charge is shown in note 4.

Creditor days for the Group were 26 for the year (2021: 35 days).

Financial position at the reporting date

The consolidated Statement of Financial Position shows that the Group's net assets at the year-end have decreased to £1.4m from £6.2m, due to the increase in costs and depreciation incurred during the year.

Development and financial performance during the year

In 2022, the directors of the Group continued to focus on improving the profitability of the Adult Gaming Centre ('AGC') and Bingo Club estate. Following two years of expansion, a key focus was the profitability of venues opened since 2020, as these new venues are expected to be loss-making for a period in excess of 12 months whilst in their 'start-up' phase.

The 'Merkur Slots' project was started in 2020 with the aim of increasing the presence of the Merkur brand on the UK High Street and expanding the Group's market share. The directors are satisfied that this has been achieved over the last two years. During 2022, a total of thirty-eight Merkur Slots venues were opening at an investment cost of £16m (2021: thirty-six sites at a cost of £12m). In 2023 and beyond, the directors intend to continue with the expansion of the business on the UK High Street.

Alongside the expansion of the number of venues in 2022, the directors of the Group continued with the project to rebrand the existing estate in line with the new branding strategy agreed in early 2021. This brand change brings the Group in line with the wider Gauselmann Group's overall branding strategy and utilises the internationally recognised 'Merkur Sun' logo. When complete, all UK High Street AGC's and Bingo clubs owned by the Group will have the Merkur branding. This project will be completed in 2023.

MERKUR CASINO UK LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

Development and financial performance during the year (continued)

Machine mix and content are under continuous review, with the latest, state-of-the-art machines being used in the business. The directors are confident that keeping up to date with the latest machines and content will keep the Group competitive in the market in the future. During 2022, the ratio of owned machines to rented machines has increased further due to super-deduction tax rules brought in by the UK Government in the March 2021 budget.

The directors of the Group expect that the regulatory regime surrounding customer welfare, in particular pertaining to gambling machines, will strengthen but are confident that the Group's subsidiaries will implement any additional social responsibility measures required.

At the end of the year, the number of operating venues in subsidiary undertakings stood at 222 which included 3 Bingo Clubs (2021: 200 which included 3 Bingo Clubs).

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

The directors, in accordance with s172 of the UK Companies Acts 2006, must comply with the duties outlined in summary as follows:

A director of a company must act in a way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- a) the likely consequences of any decision in the long term;
- b) the interests of the company's employees;
- c) the need to foster the company's business relationships with suppliers, customers, and others;
- d) the impact of the company's operations on the community and the environment;
- e) the desirability of the company maintaining a reputation for high standards of business conduct; and
- f) the need to act fairly as between members of the company.

In discharging their duties, the directors have regard to such factors and take them into consideration when decisions are made. It is acknowledged that not every decision made will necessarily result in a positive outcome for all stakeholders. However, by considering the Group's purpose, objectives, and values together with its strategic priorities and having a process in place for decision-making, the directors aim to ensure that their decisions are consistent and fair.

In the normal course of business, authority for day-to-day management of the Group's operations is delegated to executives with management engaged in settling, approving, and overseeing execution of the business strategy and related policies. The directors review matters relating to financial and operational performance, business strategy, key risks, stakeholder related matters, diversity and inclusion, health and safety and legal, governance and regulatory matters. This is done through the consideration and discussion of reports which are sent in advance of each Board meeting and through presentations to the Board.

The Group's key stakeholders are its customers, employees, suppliers, the local communities in which it operates and regulators. The views of and the impact of the Group's activities on those stakeholders are an important consideration for the directors when making decisions. While there are cases where the Board itself judges that it should engage directly with certain stakeholder groups or on certain issues, the size and the spread of both our stakeholders and operations means that generally our stakeholder engagement takes place at an operational level. We find that as well as being a more efficient and effective approach, this also helps us achieve a greater positive impact than by working alone as an individual company.

Customers

Key aspects of the engagement with our customers are the customer experience and player protection. The Group continues to invest in the customer experience from new and relevant gaming machines to refreshed and improved gaming environments.

2022 saw the continuation of the 'Merkur Slots' project which furthered the expansion of the Merkur brand and provides new gaming opportunities to customers, often in areas where the Group has not previously had a presence. This expansion has resulted in the addition of a further thirty-eight new AGC venues in 2022, two more than were added in 2021.

MERKUR CASINO UK LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

Statement by the Directors in performance of their Statutory duties in accordance with s172(1) of the Companies Act 2006 (continued)

Customers (continued)

The directors continue to improve standards with respect to player protection and safer gambling. Examples of this are noted in the Directors' Report.

Employee engagement

The directors are fully committed to ensuring engagement with employees across all regions of the business is sought and factored into their decision-making process. The measures in place to engage with the Group's employees are described in full in the Directors' Report. Through this engagement the directors are able to gather opinions and ideas from the wider employee population, identify any gaps in communication or areas of concern and consider these in their decision-making process.

Suppliers

At a Group level, we have a dedicated procurement function which engages with our suppliers with the aim of optimising the working relationships between the parties.

Local communities

Community links remain important, and the directors continue to actively encourage participation in the Group's corporate social responsibility agenda. The Group supports a range of local charities as well as four major charities, namely Great Ormond Street Hospital, Days of Sunshine, Teenage Cancer Trust and The Royal Marsden Cancer charity.

During periods when the Group was unable to trade, many staff were placed on 'furlough'. Many of these employees participated in local volunteering initiatives to support their local communities during their time on furlough.

Regulators

Throughout 2022, the Group has continued to build relationships and maintain an open dialogue with regulators and local authorities. This has included:

- embedding measures within our venues to support the National strategy to Reduce Gambling Harms;
- working with stakeholders, customers and regulators to help public understanding of the gaming offers it provides;
- participating in trade bodies' representations to political and regulatory bodies to ensure that such stakeholders clearly understand the positive contribution that its business provides to the economy; and
- senior managers holding key positions on trade association executive and social responsibility committees.

Environment

The Group is focussed on ensuring that it reduces its impact on the environment. Events during 2022 have highlighted the need for energy efficiency to assist with the Group's cost management along with, where possible, minimising the Group's energy demands. To this end, the Group has focussed on updating energy meters to smart meters to provide regular and more granular energy consumption data which will assist with energy monitoring and management.

The replacement of older less energy efficient, or less environmentally friendly, equipment with more efficient and environmentally friendly equipment has continued through 2022. Further details of this, and other initiatives completed, underway or planned may be seen in the Energy and Carbon Reporting section of the Directors' Report in these financial statements.

This report was approved by the board on 15 March 2023 and signed on its behalf.



B Lungen
Director

MERKUR CASINO UK LIMITED

GROUP DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their report and the consolidated financial statements of Merkur Casino UK Limited for the year ended 31 December 2022.

Directors' responsibilities statement

The directors are responsible for preparing the Group Strategic report, the Group Directors' Report and the consolidated 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments 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 Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The loss for the year, after taxation, amounted to £4.7m (2021: £12.6m).

The directors do not recommend the payment of a dividend (2021: £nil).

Directors

The directors who served during the year and to the date of this report were:

B Lünen
S Bruns
M Sellenriek
M S Schertle

Charitable and Political contributions

The Group made charitable donations in the year of £213,000 (2021: £500).

During the year the Group made no political donations (2021: £nil).

Going concern

The directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future, therefore they continue to adopt the going concern basis for accounting in preparing the annual financial statements. Additional financial support is also available from the group's parent company if required.

For further information regarding the directors' assessment of the going concern status of the Group and Company, refer to the accounting policies note 1.4 in the financial statements.

MERKUR CASINO UK LIMITED

GROUP DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

Business risk

Regulatory risk

The current political and social environment continues to perceive the gambling industry in a concerned light and there is a risk that such negative publicity may lead to adverse changes in regulation and legislation. The Company and Group work hard to ensure that it actively provides and promotes an environment in which customers play safely. The directors await the release of the UK Government's white paper on gambling and will address any changes to the legislation as necessary.

The board challenge management and staff to continually raise standards of operation, safer gambling, and player protection initiatives. An example of this is the G4 audit, for which the Group was awarded accreditation in August 2020. The actions taken from this audit have focussed the business to further improve the staff training on customer interaction and gambling harm; develop machine training to enable staff to advise customers on the types of machine games, how they play and to provide them with an informed choice; and to increase resources within our Learning and Development team to support the delivery of the face-to-face and online training to employees.

We have continued to apply a six-week classroom and in venue induction programme for all new employees which was developed in the previous year. This training involves enhanced Customer Interaction training including role play scenarios. In the current year, the Group has also introduced "Back-to-Basics" training for all venue staff to address identified knowledge gaps and further awareness on machine categories and customer Self-Exclusion.

Measures embedded within our venues to support the national strategy to reduce gambling harms include:

- Safer Gambling campaigns, both internal and via participation in Safer Gambling Week;
- Point of sale safer gambling messaging on both Category B3 and C machines;
- Customer Interactions and self-exclusion scheme;
- Think 25 Policy;
- Independent Age Verification Tests;
- Time and limit settings on gaming machines; and
- City & Guilds accredited training delivered by YGAM/Betknowmore using 'lived experience' facilitators.

The Group also works with stakeholders, customers and regulators to help public understanding of the gaming offers it provides, participating in trade bodies' representations to political and regulatory bodies to ensure that such stakeholders clearly understand the positive contribution that its business provides to the economy.

All staff undertake relevant training for their roles to ensure that a good understanding of the objectives of compliance and the obligations of their role are maintained.

Financial risk

Liquidity

The Group manages its cash and borrowing requirements centrally to maximise interest income and minimise interest expense, whilst ensuring that the Group has sufficient liquid resources to meet the operating needs of its business.

Interest rate

The Group is exposed to interest rate risk on floating rate deposits and bank overdrafts.

On 1 January 2021 the FCA's Interest Rate Benchmark Reform – Phase II came into effect. The Group does not have any funding that incorporates a benchmarked interest rate, nor any fixed-rate funding that is hedged using a derivative of a benchmarked interest rate. Furthermore, the Group does not use a benchmarked interest rate in constructing any discount rates used in the calculation of provisions or impairment calculations. It is therefore unaffected by this amendment.

Foreign currency

The Group's principal foreign currency exposures arise from transactions with its German parent, related party companies and overseas suppliers. The Group believes the materiality of these transactions do not warrant hedging of foreign currency risks.

MERKUR CASINO UK LIMITED

GROUP DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

Financial risk (continued)

Credit

The principal activities of the Group mean that cash is generated on a regular and even basis during the period and there is no assumption of credit risk.

Future Developments

In 2023, the directors will continue to focus on improving the profitability of the AGC and Bingo estate. Plans may be put in place to close operations where a profit cannot be achieved. The directors are also looking at opportunities to increase the number of venues over the next five years through new lease acquisitions and development of these sites. Potential venues will continue to be reviewed during 2023, with investment being made in suitable sites as leases are agreed.

In addition to the expansion plans, the directors will also invest in the existing estate during 2023 to ensure we have state-of-the-art venues which meet our customers' expectations.

During 2021, the Group produced plans to reduce the number of dormant companies in the group. This work commenced in 2022 and will continue throughout 2023.

Events after the end of the reporting period

Since the year end the Group has been evaluating an opportunity to expand operations into the Casino sector of the industry. At the date of approval of these financial statements no investment decision has been made.

There have been no other significant events affecting the Group since the year end.

Employee consultation

The Group routinely provides information to its employees through a variety of mediums, ensuring that information is disseminated regarding financial performance and/or matters affecting the business as a whole.

This is achieved through 1:1, departmental and regional meetings, regular business bulletins and weekly or monthly employee newsletters. Performance targets and indicators are published each week to inform employees of financial performance to budget both weekly and cumulatively; and staff participate in incentive and bonus schemes to achieve financial targets throughout the year.

All employees are actively informed and encouraged to participate in activities relating to the organisation's corporate social responsibility agenda which in 2022 saw the support of the gaming industry's charity Young Gamers & Gamblers Education Trust (YGAM) to which the Group has contributed £72,000 in the year. The Group also contributed £65,000 to Gamcare, a charity to raise awareness of, and aid those affected by, problem gambling across Great Britain.

Employment of disabled persons

The Group's policy is to give full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities. Disabled employees receive appropriate training to promote their career development within the Group. Employees who become disabled are retained in their existing posts where possible or retrained for suitable alternative posts.

Director's indemnity

The Company's Articles of Association provide, subject to UK legislation, an indemnity for directors and officers of the Group in respect of liabilities they may incur in the discharge of their duties or in the exercise of their powers, including any liabilities relating to the defence of any proceedings brought against them which relate to anything done or omitted or alleged to have been done or omitted, by them as officers of the Group.

Appropriate directors' and officers' liability insurance cover is in place in respect of all the Group's directors.

MERKUR CASINO UK LIMITED

GROUP DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

Energy and carbon reporting

The Companies Act 2006 (Strategic Report and Directors' Report) 2018 Regulations impose requirements on large unquoted companies to include an 'Energy and Carbon Report' within the Directors' Report for each financial year, which includes their energy and carbon information. At the reporting date, only Merkur Slots UK Limited is within the scope of the legislation and required to report.

The following figures show the consumption and associated emissions for this reporting year for our operations, with figures from the previous reporting period included for comparison.

Scope 1 consumption and emissions relate to direct combustion of natural gas, and fuels utilised for transportation operations, such as company vehicle fleets.

Scope 2 consumption and emissions relate to indirect emissions relating to the consumption of purchased electricity in day-to-day business operations.

Scope 3 consumption and emissions relate to emissions resulting from sources not directly owned by the reporting company. For Merkur Slots UK Limited, this is related to grey fleet (business travel undertaken in employee-owned vehicles) only.

The total consumption (kWh) figures and total emission (tCo2e) figures for energy supplies reportable by Merkur Slots UK Limited are as follows:

Utility and Scope	Consumption (kWh)		Total emissions (tCo2e)	
	2022	2021	2022	2021
Grid-Supplied Electricity (scope 2)	20,307,873	12,340,310	3,927.14	2,620.22
Gaseous and other fuels (scope 1)	632,724	535,183	116.20	98.02
Transportation (scope 1 and 3)	2,103,006	1,308,424	485.06	308.62
Total	23,043,603	14,183,917	4,528.40	3,026.86

Scope 1 and 2 consumption and Co2e emission data has been calculated in line with the 2019 UK Government environmental reporting guidance. The Emission Factor Database (2022 version 1.0), consistent with the 2019 UK Government environmental reporting guidance has been used, utilising the current published kWh gross calorific value (CV) and kgCo2e emissions factors relevant for reporting year 01/01/2022 – 31/12/2022.

Emissions Intensity

An intensity metric of tCo2e per £m revenue has been applied for our total emissions, as it is required to express the greenhouse gas ("GHG") emissions using a carbon intensity metric. Merkur Slots UK Limited's revenue for 2022 was £154.5m (2021: £85.67m), giving an intensity of 29.31 tCo2e per £m revenue (2021: 35.33 tCo2e per £m revenue).

Energy Efficient Measures

The Group is committed to year-on-year improvements in operational energy efficiency and has identified and compiled a register of energy efficiency measures available, with a view to implementing these measures in the next 5 years.

Measures already taken include, but are not limited to

- the replacement of lighting with LEDs;
- installation of passive infra-red (PIR) sensors in all staff areas of venues;
- operational focus on the proper operation of air-conditioning and lighting systems; and
- installation smart meters across the AGC portfolio.

During 2023, further measures to reduce energy consumption are planned, including the installation of light and time sensors for signage to reduce lighting costs during daylight hours, the replacement of company vehicles with hybrid and electric vehicles, the continued rollout of smart meters across all venues and encouraging staff to switch off appliances and equipment that are not in use ('flick it off' campaign).

MERKUR CASINO UK LIMITED

GROUP DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

Audit exemption for subsidiaries

For the year ended 31 December 2022, the subsidiaries shown below, which are included within these consolidated financial statements, are entitled to the exemption from audit by virtue of section 479A Companies Act 2006. In accordance with section 479A of the Companies Act 2006, the members of the companies have unanimously agreed that they do not require an audit, and the carrying value of liabilities at the Statement of Financial Position date have been guaranteed by Merkur Casino UK Limited under section 479C of the Act.

Cashino Gaming (E&J) Limited
United Leisure Limited
Mayfair Acquisitionco Limited
Thomas Holdings Limited
Classic Leisure (Northern) Limited
Dolphin Gaming Limited
Merkur Technical Support UK Limited
William Clark (Holdings) Limited
Baleday Limited
William Clark Limited
Mirage Centres Limited

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

Matters covered in the Strategic report

As permitted by Paragraph 1A of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and reports) Regulations 2008 certain matters which are required to be disclosed in the Directors' Report have been omitted as they are included in the Strategic Report on pages 1 and 4. These matters relate to principal risks and uncertainties and key performance indicators.

Auditor

Under section 487(2) of the Companies Act 2006, Grant Thornton UK LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 278 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board on 15 March 2023 and signed on its behalf.



B Lungen
Director

MERKUR CASINO UK LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF MERKUR CASINO UK LIMITED

Opinion

We have audited the financial statements of Merkur Casino UK Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2022, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statement of Financial Position, the Consolidated and Company 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 Financial Reporting Standard 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 group's and of the parent company's affairs as at 31 December 2022 and of the group's loss 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 group and the parent 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 are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the group's and the parent company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the group's and the parent company's financial resources or ability to continue operations over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

MERKUR CASINO UK LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF MERKUR CASINO UK LIMITED

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 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.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 for the financial statements

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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

MERKUR CASINO UK LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF MERKUR CASINO UK LIMITED

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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

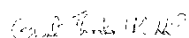
- We understood how the group and company is complying with those legal and regulatory frameworks by making enquiries of management, those responsible for legal and compliance procedures and the company secretary. We corroborated our enquiries through our review of board minutes.
- We assessed the susceptibility of the group's and company's Financial Statements to material misstatement, including how fraud might occur by meeting with management from relevant parts of the business to understand where management considered there was a susceptibility to fraud.
- Audit procedures performed by the engagement team included:
 - evaluation of the programmes and controls established to address the risks related to irregularities and fraud;
 - testing manual journal entries, in particular journal entries relating to management estimates and entries determined to be large or relating to unusual transactions; and
 - identifying and testing related party transactions.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
 - knowledge of the industry in which the client operates; and
 - understanding of the legal and regulatory requirements specific to the entity/regulated entity including:
 - the provisions of the applicable legislation;
 - the regulators rules and related guidance, including guidance issued by relevant authorities that interprets those rules; and
 - the applicable statutory provisions.
- We did not identify any matters relating to non-compliance with laws and regulation or relating to fraud.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

MERKUR CASINO UK LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF MERKUR CASINO UK LIMITED

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.



Nicholas Watson BSc ACA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
Date: 15 March 2023

MERKUR CASINO UK LIMITED**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022**

		2022	2021
	Note	£000	Restated £000
Turnover	3	173,008	96,685
Cost of sales		<u>(53,417)</u>	<u>(32,965)</u>
Gross profit		119,591	63,720
Administrative expenses		(126,469)	(89,092)
Exceptional administrative (expenses) / income	4	(4,079)	10
Other Operating Income	5	<u>2,164</u>	<u>12,146</u>
Operating Loss	6	(8,793)	(13,216)
Non-operating income	10	32,417	2,450
Non-operating expenses	10	(22,058)	(2,296)
Interest receivable and similar income	11	2,499	655
Interest payable and expenses	12	<u>(3,610)</u>	<u>(2,556)</u>
Profit/(loss) before taxation		455	(14,963)
Tax on profit / (loss)	13	<u>(5,188)</u>	<u>2,406</u>
Loss for the year		(4,733)	(12,557)
Other comprehensive income for the year		<u>-</u>	<u>-</u>
Total comprehensive loss for the year		<u>(4,733)</u>	<u>(12,557)</u>

The notes on pages 19 to 45 form part of these financial statements.

MERKUR CASINO UK LIMITED
REGISTERED NUMBER: 08179391
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	2022 £000	2022 £000	2021 £000	2021 £000
Fixed assets					
Intangible assets	15		44,872		51,954
Tangible fixed assets	16		<u>69,446</u>		<u>60,518</u>
			114,318		112,472
Current assets					
Stock	18	140		211	
Debtors: amounts falling due after more than one year	19	894		997	
Debtors: amounts falling due within one year	19	16,259		8,717	
Cash at bank and in hand	20	<u>16,250</u>		<u>11,724</u>	
		33,543		21,649	
Creditors: amounts falling due within one year	21	(50,643)		(39,666)	
Net current liabilities			<u>(17,100)</u>		<u>(18,017)</u>
Total assets less current liabilities			97,218		94,455
Creditors: amounts falling due after more than one year	22	(79,777)		(70,589)	
Provisions for liabilities					
Provisions	26	<u>(16,014)</u>		<u>(17,706)</u>	
			(95,791)		(88,295)
Net assets			<u>1,427</u>		<u>6,160</u>
Capital and reserves					
Share capital	27		-		-
Other reserves	28		80,701		80,701
Profit and loss account	28		<u>(79,274)</u>		<u>(74,541)</u>
Equity attributable to the owners			<u>1,427</u>		<u>6,160</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 15 March 2023.



B Lungen
Director

The notes on pages 19 to 45 form part of these financial statements.

MERKUR CASINO UK LIMITED
REGISTERED NUMBER: 08179391

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	2022 £000	2022 £000	2021 £000	2021 £000
Fixed assets					
Investments	17		77,448		77,448
			77,448		77,448
Current assets					
Debtors: amounts falling due within one year	19	-		7,234	
Cash at bank and in hand	20	1		4	
		1		7,238	
Creditors: amounts falling due within one year	21	(16,073)		(8,686)	
Net current liabilities			(16,072)		(1,448)
Total assets less current liabilities			61,376		76,000
Net assets			61,376		76,000
Capital and reserves					
Share capital	27		-		-
Other reserves	28		76,000		76,000
Profit and loss account	28		(14,624)		-
Total equity			61,376		76,000

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 15 March 2023.



B Lungen
 Director

The notes on pages 19 to 45 form part of these financial statements.

MERKUR CASINO UK LIMITED**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Called up share capital £000	Other reserves £000	Profit and loss account £000	Non- controlling interest £000	Total equity £000
At 1 January 2022	-	80,701	(74,541)	-	6,160
Comprehensive loss for the year	-	-	(4,733)	-	(4,733)
Loss for the year	-	-	(4,733)	-	(4,733)
Total comprehensive loss for the year	-	-	(4,733)	-	(4,733)
At 31 December 2022	-	80,701	(79,274)	-	1,427

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Called up share capital £000	Other reserves £000	Profit and loss account £000	Non- controlling interest £000	Total equity £000
At 1 January 2021	-	80,701	(60,339)	(295)	20,067
Comprehensive loss for the year	-	-	(12,557)	-	(12,557)
Loss for the year	-	-	(12,557)	-	(12,557)
Total comprehensive loss for the year	-	-	(12,557)	-	(12,557)
Acquisition of non-controlling interest in subsidiary	-	-	(1,645)	295	(1,350)
At 31 December 2021	-	80,701	(74,541)	-	6,160

The notes on pages 19 to 45 form part of these financial statements.

MERKUR CASINO UK LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Called up share capital £000	Other reserves £000	Profit and Loss reserves £000	Total equity £000
At 1 January 2021	-	76,000	-	76,000
Profit for the year	-	-	-	-
At 1 January 2022	-	76,000	-	76,000
Loss for the year	-	-	(14,624)	(14,624)
At 31 December 2022	<u>-</u>	<u>76,000</u>	<u>(14,624)</u>	<u>61,376</u>

The notes on pages 19 to 45 form part of these financial statements.

MERKUR CASINO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. Accounting policies

1.1 General information

Merkur Casino UK Limited is a limited company incorporated in England and Wales. The address of its registered office and principal place of business are disclosed in the company information.

The principal activity of the Group is the provision of leisure services and entertainment facilities.

These financial statements are presented in Sterling, which is also the functional currency of the Group, rounded to the nearest £000.

1.2 Basis of preparation of financial statements

These financial statements have been prepared under the historical cost convention and in accordance with FRS 102, the 'Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland', and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Group's accounting policies.

The Group is a wholly owned subsidiary Gauselmann AG and is included in those consolidated financial statements which are publicly available. Consequently, the Group has taken advantage of the exemption from preparing a cash flow statement as permitted by FRS 102 paragraph 1.12 (b).

The following principal accounting policies have been applied:

1.3 Basis of consolidation

The consolidated financial statements present the results of Merkur Casino UK Limited and its own subsidiaries ("the Group") as they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

1.4 Going concern

The directors have reviewed the Company's and the wider Group's budgets and forecasts for 12 months from the date of this report, its liquid resources and its medium-term plans. In considering the going concern status of the Company, sensitivity testing has been performed, which included a range of downside scenarios being applied to the latest forecast position.

To further strengthen the going concern position of the Company, the directors have received a letter of support from Merkur Casino GmbH, an intermediate parent company, confirming ongoing financial support for at least 12 months from the approval of these financial statements. The directors are satisfied that Merkur Casino GmbH is able to provide this support.

On the basis of the above and notwithstanding the fact that the Group has net current liabilities, the directors have prepared the financial statements on the going concern basis.

MERKUR CASINO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. Accounting policies (continued)

1.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, after discounts and excluding value added tax (where appropriate). The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Machine income

Turnover primarily represents receipts from gaming machines, excluding value added tax (where appropriate). Machine revenue represents machine cash receipts, net of machine pay-outs.

1.6 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the fair value of its identifiable assets and liabilities at the date of acquisition. Goodwill is amortised on a straight-line basis to the Consolidated Statement of Comprehensive Income over its useful economic life. The estimated useful life of goodwill is 15 years.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Amortisation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Licences	- 10 years
Lease premiums	- Period of lease
Software	- 3 to 5 years

MERKUR CASINO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. Accounting policies (continued)

1.7 Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance costs are charged to the Consolidated Statement of Comprehensive Income during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Freehold property	- 15 to 50 years
Short leasehold property	- Period of lease
Motor vehicles	- 4 years
Fixtures & fittings	- 3 to 10 years

Land is not depreciated.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, or if there is an indication of a significant change since the last Statement of Financial Position date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the Consolidated Statement of Comprehensive Income.

1.8 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the Group. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Statement of Comprehensive Income so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease term and the useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the statement of comprehensive income over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

MERKUR CASINO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. Accounting policies (continued)

1.9 The Group as Lessor

Rental income from operating leases is credited to Other Operating Income in the Statement of Comprehensive Income on a straight-line basis over the term of the relevant lease.

Amounts paid and payable as an incentive to sign an operating lease are recognised as a reduction to income over the lease term on a straight-line basis unless another systematic basis is representative of the time pattern over which the lessor's benefit from the leased asset is diminished.

1.10 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit ('CGU') to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each Statement of Financial Position date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

1.11 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where there is an indication that an investment may be impaired, the carrying value of the investment is tested for impairment. An impairment loss is recognised for the amount by which the investment's carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher of an investment's fair value less costs to sell and value in use.

1.12 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each Statement of Financial Position date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the consolidated Statement of Comprehensive Income.

1.13 Financial instruments

Financial assets and liabilities are recognised when the Group becomes party to the contractual provisions of the financial instrument. The Group holds basic financial instruments, which comprise cash and cash equivalents, trade and other receivables, trade and other payables and intercompany balances. The Group has chosen to apply the provisions of Section 11 Basic Financial Instruments and Section 12 Other Financial Instruments in full.

MERKUR CASINO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. Accounting policies (continued)

1.13 Financial Instruments (continued)

Financial assets – classified as basic financial instruments

Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held with banks.

Trade and other receivables

Trade and other receivables are initially recognised at the transaction price, including any transaction costs, and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Amounts that are receivable within one year are measured at the undiscounted amount of the cash expected to be received, net of any impairment.

At the end of each reporting period, the Group assesses whether there is objective evidence that any receivable amount may be impaired. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised immediately in the Statement of Comprehensive Income.

Trade and other payables, loans and borrowings – classified as basic financial instruments

Trade and other payables and loans and borrowings are initially measured at the transaction price, including any transaction costs, and subsequently measured at amortised cost using the effective interest method. Amounts that are payable within one year are measured at the undiscounted amount of the cash expected to be paid.

Loans with an interest rate higher or lower than the market rate of interest are measured at the present value at inception of the loan by discounting the loan cash flows over the term using the market rate of interest. The difference arising on the initial recognition of the loan is recognised in equity as a capital contribution.

1.14 Foreign currency translation

Functional and presentation currency

The Group's functional currency is Sterling.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

MERKUR CASINO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. Accounting policies (continued)

1.15 Finance costs

Finance costs are charged to the Consolidated Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount.

1.16 Pensions

The Group operates two defined contribution plans for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payments obligations.

The contributions are recognised as an expense in the Consolidated Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

1.17 Interest income

Interest income is recognised in the Consolidated Statement of Comprehensive Income using the effective interest method.

1.18 Interest expense

Interest expense is recognised in the Consolidated Statement of Comprehensive Income, in the period in which it is incurred, using the effective interest method.

1.19 Provisions

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that requires probable settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation. The provision is discounted using the risk-free rate of interest pertaining to the duration of the provision. Where a provision represents the present value of the obligation, it is not discounted.

Provisions are charged as an expense to the Consolidated Statement of Comprehensive Income in the year that the Group becomes aware of the obligation and are measured at the best estimate at the Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are made, they are charged to the provision carried in the Statement of Financial Position.

1.20 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the Financial Position date in the countries where the Company and the Group operate and generate income.

MERKUR CASINO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

1. Accounting policies (continued)

1.20 Current and deferred taxation (continued)

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

1.21 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

1.22 Government grants

Government Grants are recognised using the accrual model, where there is reasonable assurance that the Grant will be received. The Group measures Grants at the fair value of the asset received or receivable.

Grants that compensate the Group for expenses incurred are recognised in the Consolidated Statement of Comprehensive Income, in other operating income, in the periods in which the expenses are recognised by the Group.

A Grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs shall be recognised in other operating income in the period in which it becomes receivable.

2. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements in conformity with FRS 102 requires the use of judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in the accounting policies, including intangible assets (1.6), tangible fixed assets (1.7), provisions (1.19) and deferred tax (1.20).

MERKUR CASINO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

2. Judgments in applying accounting policies and key sources of estimation uncertainty (continued)
Intangible fixed assets and tangible fixed assets

The application of the accounting policies in these areas requires the use of accounting estimates and judgments in determining the recoverable amount of cash generating units to which the goodwill, intangible assets and tangible assets are associated. The recoverable amount is the higher of the fair value less costs of disposal and value in use. Estimates of fair value less cost of disposal are performed internally by experienced senior management supported by knowledge of similar transactions and advice from external experts where appropriate. Value in use is calculated using estimated cash flows projections from financial budgets, discounted by selecting an appropriate rate.

Provisions

In calculating onerous property lease provisions (including closed site provisions), estimates are made of the discounted cash flows associated with each property and its associated operations including sub-let income together with any estimate of dilapidation obligations.

In calculating the property dilapidations provision for leases in use in the business, management have estimated a cost per square metre on which to base the future dilapidations cost. The estimate is based on prior experience of dilapidation costs incurred.

Deferred taxation

Estimation of income taxes includes the assessment of recoverability of deferred tax assets. Deferred tax assets are only recognised to the extent that they are considered more likely than not to be recovered based on existing tax laws and forecasts of future taxable profits against which the underlying tax deductions can be utilised. The Group's expectations of future taxable profits require management judgement and takes into account the Group's long-term financial and strategic plans and anticipated tax-adjusting items. In making this assessment, account is taken of the board-approved five-year budget, the anticipated value and timing of contingent assets and the potential of other UK companies of the Gauselmann Group to utilise tax losses.

3. Turnover

An analysis of turnover by class of business is as follows:

	2022	2021
	£000	£000
Adult gaming centres	154,508	85,673
Bingo clubs	18,496	11,006
Other income	4	6
	<u>173,008</u>	<u>96,685</u>

All turnover arose within the United Kingdom.

MERKUR CASINO UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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4. Exceptional administrative expenses / (income)

	2022	2021 Restated
	£000	£000
Onerous lease charge /(release)	909	(222)
Closed site release	(780)	(882)
Remeasurement of carrying value of the Parent Company loan (restated) (1)	2,869	(1,099)
Dilapidation costs	886	-
Impairment of goodwill (restated) (2)	-	-
Impairment of other intangible fixed assets	-	2,521
Proceeds from insurance claims	(220)	(328)
Aborted site costs	415	-
	<u>4,079</u>	<u>(10)</u>

Restatement of 2021 comparative values

Both restated items relate to reclassifications and have no net impact on the loss for the year ended 31 December 2021.

- (1) The restatement of the 2021 comparative is a reclassification of the remeasurement of the carrying value of the parent company loan. This has been reclassified from other operating income to present the credit in 2021 alongside the charge resulting from the remeasurement of the parent company loan in 2022.
- (2) The restatement to the 2021 comparative is a reclassification of the impairment of the increase in goodwill amounting to £2,296,000 which resulted from the reclaimed VAT and associated interest from HMRC during that year under the Rank II tribunal case. This has been reclassified, along with the current year values, to non-operating income and expenses (note 10) to provide a more appropriate presentation of the impact of the VAT claims on the Group.

Onerous lease adjustment

The Group recognises a provision for loss-making venues equal to the leasehold costs less the expected net trading income. A provision has been made for the net lease costs for 5 years on the basis that the loss-making sites will either be closed or become profitable within that timeframe.

The review of the provision at the balance sheet date resulted in a net charge to the Statement of Comprehensive Income of £909,000 (2021: net credit of £222,000).

Closed site adjustment

The closed site provision represents the leasehold costs of closed sites, net of rental income where the site could be sub-let, plus other associated costs of closure.

In the current year, the Group closed 14 sites where profitability could not be achieved and exited 1 lease before the end of the lease term. The net impact of these events is a credit to the statement of comprehensive income, due to the release of the site closure provision of £1.9m regarding the early terminated lease.

In 2021 the Group was successful in negotiating the sublet of two venues, which were previously included in the closed store provision. The release from the closed store provision for these sites was in excess of the addition to the provision in year from new venue closures. This resulted in a credit to the Statement of Comprehensive Income in the prior year.

MERKUR CASINO UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

4. Exceptional administrative expenses (continued)
Remeasurement of the carrying value of the parent company loan

A group loan with an initial interest rate of 1% per annum has been recognised at inception using the market rate of 4.22%. In November 2020, a loan of £11,000,000 was obtained under the Coronavirus Large Business Interruption Loan Scheme ("CLBILS"). Under the scheme no interest or loan repayments could be made regarding group loans until the CLBILS loan was repaid in November 2022.

Consequently, in 2020 it was necessary to re-measure the net present value of the group loan using the revised cash flows. A credit of £1,626,000 arose as a result of that re-measurement. At the end of 2021, the net present value of the loan was revised further due to a refinement of the expected cash flows relating to the repayment of the loan. As a result, a further credit of £1,099,000 was recognised in the statement of comprehensive income in the year.

In 2022 the interest rate on the loan was increased to 3.5%, necessitating a further re-measurement of the loan at the balance sheet date. As a result, a charge of £2,869,000 has been recognised in the statement of comprehensive income in the year as an exceptional administrative expense.

Dilapidation costs

The Group provides for restoration costs on leased properties ("dilapidation provision") and the rate at which the provision is calculated is constantly under review. In the current year the Group has applied a revised rate to the calculation to take account of new information which indicates that the average cost per square metre being experienced for property restoration is increasing.

As the revision to the calculation of the dilapidation provision is a result of new information, the revision is being treated as a change in accounting estimate. The change in accounting estimate amounts to an additional charge to the Statement of Comprehensive Income for the current year of £886,000 for the Group.

Impairment of other intangible fixed assets

In 2021, on the cessation of the sunbed business of the group, the intangible asset relating to the sunbed brand was impaired.

Proceeds from insurance claims

Insurance proceeds of £139,000 have been recognised in the year regarding a venue which was flooded in 2020. Also, during the year, an ACG venue was destroyed by fire and insurance proceeds of £81,000 have been recognised. In addition, a charge of £32,000 has been recognised in the Statement of Comprehensive income for uninsured losses in respect of the fire.

During the prior year, the Group received insurance income to the value of £167,000 with respect to a venue which had been flooded in 2019 and £161,000 with respect to an insurance claim against a former director.

Aborted Site Costs

The Group has continued to seek opportunities to expand the number of AGC venues during the year by acquiring new leases. During the process of acquiring a new lease it sometimes becomes apparent that it is not possible to develop the site in question, and costs associated with the potential lease have to be expensed. During 2022, the Group charged £415,000 to the Statement of Comprehensive Income regarding potential venues where it was not feasible to acquire the lease.

MERKUR CASINO UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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5. Other Operating Income

	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Government grants receivable	812	11,541	-	-
Remeasurement of the carrying value of the parent company loan (restated) (1)	-	-	-	-
Third party rents receivable	301	319	-	-
Recharges to other Gauselmann AG group companies	886	252	-	-
Other income	165	34	-	-
	2,164	12,146	-	-

Restatement of the 2021 comparative

The restated item relates to a reclassification and has no net impact on the loss for the year ended 31 December 2021.

- (1) The restatement of the 2021 comparative is a reclassification of the remeasurement of the carrying value of the Parent company loan. This has been reclassified to exceptional administrative expenses to present the credit of £1,099,000 in 2021 alongside the charge which resulted from the remeasurement of the carrying value of the parent company loan in 2022.

Government Grants Receivable

Government grants receivable relate to income due as a result of the Omicron Hospitality and Leisure Grant of £812,000 (2021: £nil), Coronavirus Job Retention Scheme of £nil (2021: £6,919,000), Local Restriction Support Grants and discretionary additional restriction grants of £nil (2021: £2,421,000), and Restart grants of £nil (2021: £2,201,000). See note 31 for further details on Government Grants and Assistance.

Third Party Rents

Third party rents receivable relate to properties which are currently being sub-let due to being surplus to business requirements.

Other Income

Other income includes £56,000 of Kickstart grants regarding apprenticeships being undertaken within the Group (2021: 6,000), and commission of £99,000 received from a related party (2021: nil). In the prior year the Group also received £9,000 relating to the sale of owned vehicles.

MERKUR CASINO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

6. Operating loss

The operating loss is stated after charging:

	2022	2021
	£000	£000
Depreciation of tangible fixed assets: owned	17,136	11,722
Depreciation of tangible fixed assets: finance lease	2,410	2,364
Impairment release	–	(103)
Amortisation of intangible assets, including goodwill	7,565	8,109
Impairment of Intangible assets	19,426	4,817
Plant and machinery operating lease rentals	14,667	11,485
Other operating lease rentals	15,694	13,117
Loss on disposal of fixed assets	866	249
Defined contribution pension cost	957	758

7. Auditor's remuneration

	2022	2021
	£000	£000
Fees payable to the Group's auditor for the audit of the Group's and subsidiaries annual accounts	215	146
Fees payable to the Group's auditor in respect of:		
Tax and compliance	19	15

8. Employees

Staff costs, including directors' remuneration, were as follows:

	2022	2021
	£000	£000
Wages and salaries	45,988	32,679
Social security costs	4,105	2,828
Cost of defined contribution scheme (note 29)	957	758
	51,050	36,265

The average monthly number of employees, including the directors, during the year was as follows:

	2022	2021
	Number	Number
Operations	1,866	1,477
Management and administration	139	105
	2,005	1,582

MERKUR CASINO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

9. Directors' remuneration

	2022	2021
	£000	£000
Directors' emoluments	692	301
	<u>692</u>	<u>301</u>

During the year retirement benefits were accruing to one director (2021: one) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £347,000 (2021: £242,000).

The value of the Group's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £20,000 (2021: £nil).

M Sellenriek and S Bruns were not remunerated by the Group during the year (2021: £nil).

The directors of the Group are considered to be the key management personnel. Details of their remuneration can be seen above.

10. Non-operating income and expenses

In 2022, the Group submitted requests for the repayment of overpaid VAT on certain gaming machines for the period 2006 – 2012 ("Rank II claims"). Within non-operating income, the Group has recognised the value of claims which have been repaid by HMRC and also claims which have been submitted to HMRC where the probability of repayment is virtually certain.

In addition to the repayment of overpaid VAT, the Group has also received statutory interest, which is included within interest receivable.

The claims were submitted to HMRC by professional advisors on a contingent fee basis. Professional fees incurred and accrued regarding the VAT claims are included within exceptional items.

The financial benefit of a significant part of the VAT claims was retained by previous shareholders of the Group's Companies and, on the repayment of the VAT claims to the Group by HMRC, the Group has been required to make deferred consideration payments to those shareholders. The deferred consideration includes deductions for the relevant professional fees, claim management fees and corporation tax charges. Deferred consideration to the value of £19,426,000 (2021: £2,296,000) has been treated as an addition to goodwill in these financial statements, and also impaired during the year (2021: £2,296,000 as restated from exceptional administrative expenses) (note 15).

The amounts recognised in the Group Statement of Comprehensive Income during the year are as follows: -

	Group	Group	Company	Company
	2022	2021	2022	2021
	£000	Restated £000	£000	£000
VAT claim income	32,417	2,450	-	-
Vat claim interest (note 11)	2,464	640	-	-
Professional fees	(2,632)	-	-	-
Impairment of goodwill (note 15) (2)	(19,426)	(2,296)	-	-
Impairment of investment (note 17)	-	-	(14,624)	-
	<u>12,823</u>	<u>794</u>	<u>(14,624)</u>	<u>-</u>

MERKUR CASINO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

10. Non-operating income and expenses (continued)
Restatement of the 2021 comparative

The restated item relates to a reclassification and has no net impact on the loss for the year ended 31 December 2021.

(2) The restatement to the 2021 comparative is a reclassification of the impairment of the increase in goodwill amounting to £2,296,000 which resulted from the reclaimed VAT and associated interest from HMRC during that year under the Rank II tribunal case. This has been reclassified, along with the current year values, to non-operating income and expenses to provide a more appropriate presentation of the impact of the VAT claims on the Group.

11. Interest receivable and similar income

	2022	2021
	£000	£000
Interest on Historic VAT claim refunded in the year (note 10)	2,464	640
Bank interest	20	1
Interest on corporation tax refunds	8	-
Release of interest discount	7	14
	<u>2,499</u>	<u>655</u>

12. Interest payable and expenses

	2022	2021
	£000	£000
Loans from parent undertaking	3,186	1,994
Bank loan	210	219
Finance leases and hire purchase contracts	85	164
Unwinding of discount on provisions	129	179
	<u>3,610</u>	<u>2,556</u>

Under FRS 102, where loans are obtained at interest rates lower than market rate, the loan must be measured on inception at the present value of future cash payments discounted at a market rate of interest of a similar financial liability.

A group loan with an interest rate of 3.5% per annum has been recognised at inception using the market rate of 4.22%. Consequently, additional interest of £195,000 has been charged to the Statement of Comprehensive Income (2021: £760,000). Further details are provided in note 23 to these financial statements.

MERKUR CASINO UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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13. Taxation

	2022 £000	2021 £000
Corporation tax		
Current tax on loss for the year	1,206	-
Adjustments in respect of previous periods	(2)	-
Total current tax	<u>1,204</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	4,135	(747)
Change in rate	(164)	(303)
Adjustments in respect of previous periods	13	(509)
Deferred tax asset recognised in the current year	-	(847)
Total deferred tax charge / (credit)	<u>3,984</u>	<u>(2,406)</u>
Taxation on loss on ordinary activities	<u>5,188</u>	<u>(2,406)</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2021: higher than) the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%). The differences are explained below:

	2022 £000	2021 £000
Profit / (Loss) on ordinary activities before tax	455	(14,963)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	86	(2,843)
Effects of:		
Expenses not deductible for tax purposes	5,307	1,555
Deferred tax asset recognised in the current year	-	(847)
Adjustments to tax charge in respect of prior periods	11	(502)
Other timing differences leading to a decrease in taxation	(216)	231
Total tax charge / (credit) for the year	<u>5,188</u>	<u>(2,406)</u>

Factors that may affect future tax charges

At the Statement of Financial Position date, the Group had unutilised tax losses of £15.0m (2021: £23.9m) in its subsidiaries available for offset against future taxable profits generated by the Group. £0.1m of these tax losses (2021: £1.6m) may only be utilised in the Company where they have been generated, with the remainder available for utilisation within the Group. A deferred tax asset has been realised in relation to all losses in the current and prior year.

Changes in tax legislation

Under the Finance Act 2021 the rate of Corporation Tax is set to increase from 19% to 25% from 1 April 2023. The change to the Corporation Tax rate of 25% from 1 April 2023 has been substantively enacted. Deferred tax has been measured using the tax rates applicable at the date any timing differences are expected to unwind.

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NOTES TO THE FINANCIAL STATEMENTS
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14. Parent company profit for the year

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The loss after tax of the parent Company for the year was £14,624,000 (2021: £nil).

15. Intangible assets
Group and Company

	Licences £000	Software £000	Lease premiums £000	Brands £000	Goodwill £000	Total £000
Cost						
At 1 January 2022	2,207	610	272	5,500	116,074	124,663
Additions	63	-	-	-	19,426	19,489
Disposals	(43)	(12)	(61)	-	-	(116)
Transfers	276	155	-	-	-	431
At 31 December 2022	2,503	753	211	5,500	135,500	144,467
Amortisation						
At 1 January 2022	1,635	554	187	5,500	64,833	72,709
Charge for the year	209	86	13	-	7,257	7,565
Impairment (note 10)	-	-	-	-	19,426	19,426
On disposals	(38)	(12)	(55)	-	-	(105)
At 31 December 2022	1,806	628	145	5,500	91,516	99,595
Net book value						
At 31 December 2022	697	125	66	-	43,984	44,872
At 31 December 2021	572	56	85	-	51,241	51,954

Amortisation charges have been recognised within administrative expenses within the Statement of Comprehensive Income, and impairment charges have been recognised in non-operating expenses within the Statement of Comprehensive Income.

MERKUR CASINO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

16. Tangible fixed assets

Group

	Freehold property £000	Short leasehold property £000	Motor Vehicles £000	Fixtures, Fittings and Plant £000	Total £000
Cost					
At 1 January 2022	5,235	2,614	40	92,235	100,124
Additions	-	167	-	29,918	30,085
Disposals	-	(121)	-	(4,640)	(4,761)
Transfers	-	421	-	(852)	(431)
At 31 December 2022	5,235	3,081	40	116,661	125,017
Depreciation					
At 1 January 2022	499	1394	40	37,673	39,606
Charge for the year	58	235	-	19,253	19,546
On disposals	-	(74)	-	(3,507)	(3,581)
At 31 December 2022	557	1,555	40	53,419	55,571
Net book value					
At 31 December 2022	4,678	1,526	-	63,242	69,446
At 31 December 2021	4,736	1,220	-	54,562	60,518

During the year the Group acquired £587,000 of assets under finance lease arrangements (2021: nil).

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2022 £000	2021 £000
Fixtures & fittings	3,310	5,160

Fair value as deemed cost on transition to FRS 102

The Group has taken advantage of exemption 35.10(c) of FRS 102 to use fair value as deemed cost for freehold property. The last valuation of freehold property in Merkur Slots UK Limited, a subsidiary company, was performed at the end of 2013 by the directors, valuing the land and building on an existing use basis.

In 2015 an external valuation was performed by Colliers International, a qualified professional valuer, in accordance with RICS valuation professional standards, published by the Royal Institution of Chartered Surveyors. The fair value of the freehold property was determined using the market comparable. This means that calculations performed by the valuer are based on active market prices, significantly adjusted for difference in the nature, location or condition of the specific property.

The 2015 valuation was not materially different to the valuation performed by the directors. No valuation has been performed since this date.

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**NOTES TO THE FINANCIAL STATEMENTS
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17. Fixed asset investments
Subsidiary undertakings

The following were subsidiary undertakings of the Company

Name	Country of Incorporation	Class of shares	Holding	Principal activities
Merkur Casino Holdings UK Limited	England & Wales	Ordinary	100%	Intermediate Holding company
Merkur Slots UK Limited	England & Wales	Ordinary	100%	Adult gaming centre operator
Baleday Limited	England & Wales	Ordinary	100%	Non-trading company
Merkur Bingo and Casino Entertainment UK Limited	England & Wales	Ordinary	100%	Bingo club operator
Merkur Technical Support Limited	England & Wales	Ordinary	100%	Maintenance Service company
Mayfair Acquisitionco Limited	England & Wales	Ordinary	100%	Non-trading company
Cashino Gaming (E&J) Limited	England & Wales	Ordinary	100%	Non-trading company
Dolphin Gaming Limited	England & Wales	Ordinary	100%	Non-trading company
Thomas Holdings Limited	England & Wales	Ordinary	100%	Non-trading company
United Leisure Limited	England & Wales	Ordinary	100%	Non-trading company
Classic Leisure (Northern) Limited	England & Wales	Ordinary	100%	Non-trading company
William Clark Limited	England & Wales	Ordinary	100%	Non-trading company
William Clark (Holdings) Limited	England & Wales	Ordinary	100%	Intermediate Holding company
Mirage Centres Limited	England & Wales	Ordinary	100%	Non-trading company
Merkur Technical Support UK Limited	England & Wales	Ordinary	100%	Non-trading company

During the prior year, the Group's interest in Merkur Technical Support UK Limited ("MTSUK") increased from 66.6% to 100% on the acquisition of the Non-Controlling Interest ("NCI") from Regal Amusement Machine Sales Limited, a related party, for consideration of £1,350,000. At the date of acquisition, the NCI reported in the consolidated financial statements of the Group was a deficit of £295,000.

Under FRS 102, where there are changes in the controlling interest of a subsidiary without a change of control, the Group is required to report the difference between the fair value of the consideration paid and the change to the value of the NCI within equity. Accordingly, in the prior year the Group recorded a charge of £1,645,000, in the 'Profit and loss Reserves', in the Statement of Changes in Equity to reflect this transaction.

For the year ended 31 December 2022, the subsidiaries shown below, which are included within these consolidated financial statements, are entitled to the exemption from audit by virtue of section 479A Companies Act 2006. In accordance with section 479A of the Companies Act 2006, the members of the companies have unanimously agreed that they do not require an audit, and the carrying value of liabilities at the Statement of Financial Position date have been guaranteed by the Company under section 479C of the Act.

Company	Registered Number
Cashino Gaming (E&J) Limited	02147788
William Clark Limited	08682697
Mirage Centres Limited	05745527
United Leisure Limited	00971618
Mayfair Acquisitionco Limited	05716536
Thomas Holdings Limited	02908142
Classic Leisure (Northern) Limited	02581191
Dolphin Gaming Limited	00387076
Merkur Technical Support UK Limited	10135597
William Clark (Holdings) Limited	10232984
Baleday Limited	07443123

MERKUR CASINO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

17. Fixed assets investments (continued)**Company**

	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2022	77,448
Addition	14,624
At 31 December 2022	<u>92,072</u>
Amortisation	
At 1 January 2022	-
Impairment	14,624
At 31 December 2022	<u>14,624</u>
Net book value	
At 31 December 2022	<u>77,448</u>
At 31 December 2021	<u>77,448</u>

During the year the Company has recognised the payment of deferred consideration to the previous owners of Merkur Casino Holdings UK Limited as an increase in the cost of investment. During the year an impairment of £14,624,000 was also recognised (see note 10).

18. Stocks

	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Bar and catering supplies	19	18	-	-
Other stocks	121	193	-	-
	<u>140</u>	<u>211</u>	<u>-</u>	<u>-</u>

Stock recognised in cost of sales during the year as an expense was £968,000 (2021: £546,000).

There was no material difference between the value of stock in the Statement of Financial Position and its replacement cost.

MERKUR CASINO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

19. Debtors

	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Due after more than one year				
Trade debtors	-	119	-	-
Other debtors	894	878	-	-
	<u>894</u>	<u>997</u>	<u>-</u>	<u>-</u>
	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Due within one year				
Trade debtors	-	105	-	-
Amounts owed by Group undertakings	140	104	-	7,234
Other debtors	749	606	-	-
Corporation tax	-	535	-	-
Deferred tax asset (note 25)	-	3,667	-	-
Prepayments and accrued income	15,370	3,700	-	-
	<u>16,259</u>	<u>8,717</u>	<u>-</u>	<u>7,234</u>

Deposits

Other debtors include £976,000 (2021: £1,036,000) relating to deposits which have been made to landlords in respect of property rental charges in advance. Of this total, the value of rent deposits which are repayable in more than 1 year is £894,000 (2021: £878,000). The value of rent deposits repayable in less than one year is £82,000 (2021: £158,000).

The quarterly rental liabilities are secured by a fixed charge on deposits. The deposits are repayable at the end of each respective lease, which end at various dates up to and including 2037 (2021: 2037).

Deferred consideration

Trade debtors in the prior year include deferred consideration on the sale of 3 venues during 2020. £300,000 of the total consideration was on deferred terms, repayable over 3 years by quarterly instalments, starting in May 2021. During 2022, the acquirer settled the outstanding debt in full. Consequently, the value of deferred consideration which is due after more than 1 year is £nil (2021: £119,000).

Prepayments and Accrued income include £11,042,000 relating to VAT claims submitted to HMRC for which payment has not been received at 31 December 2022. The value of the claim recognised in debtors reflects the estimated value (including interest) of the claim submitted to HMRC.

20. Cash and cash equivalents

	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Cash at bank and in hand	16,250	11,724	1	4
	<u>16,250</u>	<u>11,724</u>	<u>1</u>	<u>4</u>

MERKUR CASINO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

21. Creditors: Amounts falling due within one year

	Group	Group	Company	Company
	2022	2021	2022	2021
	£000	£000	£000	£000
Bank Loan (note 23)	-	8,666	-	8,666
Loan from ultimate parent undertaking (note 23)	12,000	1,200	-	-
Trade creditors	4,701	4,974	-	-
Amounts owed to parent undertaking	1,886	1,563	-	-
Amounts owed to Group undertaking	1,197	5,300	11,060	-
Corporation Tax	1,206	-	-	-
Other taxation and social security	7,240	5,914	-	-
Obligations under finance lease and hire purchase contracts	2,678	2,261	-	-
Other creditors	8,785	1,024	5,013	-
Accruals and deferred income	10,950	8,764	-	20
	50,643	39,666	16,073	8,686

Group

Amounts owed to the parent undertaking and related parties are non-interest bearing, and due within normal credit terms.

Amounts owed to Group undertakings are non-interest bearing and repayable on demand.

Other Creditors include an accrual of £5,013,000 in relation to the payment of deferred consideration on the VAT claims accrued (note 19).

22. Creditors: Amounts falling due after more than one year

	Group	Group	Company	Company
	2022	2021	2022	2021
	£000	£000	£000	£000
Loan from ultimate parent undertaking (note 23)	79,079	67,515	-	-
Net obligations under finance leases and hire purchase contracts	698	3,074	-	-
	79,777	70,589	-	-

The obligations under finance leases due after more than one year are split £382,000 (2021: £1,730,000) due between one and two years, £316,000 (2021: £1,344,000) due between two and five years and £nil (2021: £nil) due after more than five years.

MERKUR CASINO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
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23. Loans

Analysis of the maturity of loans is given below:

	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Amounts falling due within one year				
Bank loan	-	8,666	-	8,666
Loan from ultimate parent company	12,000	1,200	-	-
Amounts falling due 2-5 years				
Loan from ultimate parent company	79,079	67,515	-	-
Amounts falling due after more than 5 years				
Loan from ultimate parent company	-	-	-	-
	91,079	77,381	-	8,666

All loans from the ultimate parent undertaking are unsecured.

Loans from Parent Undertaking

In 2017, Merkur Casino GmbH, redenominated a long-term Euro loan into Sterling at a value of £48,027,000. The loan had an interest rate of 1%, which is at a lower interest rate than could be obtained from a third-party bank in the UK.

Under FRS 102, where loans are obtained at interest rates lower than market rate, the loan must be measured at the present value of the future payments discounted at a market rate of interest for a similar loan as determined at initial recognition.

At inception, the present value of the loan using a discount rate of 4.22%, which is considered to be the market rate, was £43,326,000. The difference arising on initial recognition of the loan amounting to £4,701,000 was recognised within equity as a capital contribution.

During the year to 31 December 2022, the Group made principal repayments of £nil (2021: £nil) on the above loan.

On 12 November 2020, the Company entered into loan agreements with NatWest Bank for a fixed term of two years. Consequently, all loans received by the Group from Merkur Casino GmbH were subordinated to be paid not earlier than the loans owing by the parent company to NatWest Bank. The loans between the Company and Natwest Bank were repaid in November 2022.

Under FRS 102, where there is a change to the cash flows regarding loans obtained at interest rates lower than market rate, a recalculation of the present value of the loan is required, using the market value interest rate at the date of inception of the loan. The subordination of the Group's loans with Merkur Casino GmbH necessitated a revision to the estimated cash flows relating to this group loan. In 2022, the interest rate on the loan from the parent company increased from 1% to 3.5%, therefore changing the cash flows. A recalculation of the carrying value of the loan resulted in the recognition of a charge to the Statement of Comprehensive Income of £2,869,000 (2021: credit of £1,099,000).

Additional interest charges have also been recognised in the statement of comprehensive income, being the difference between the market rate of 4.22% and the actual interest rate of 3.5%. The additional interest was £195,000 (2021: £760,000).

All loans from the parent company, Merkur Casino GmbH, are measured at amortised cost and effective 1 January 2022, interest is charged at 3.5%.

MERKUR CASINO UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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23. Loans (continued)
Bank Loans

On 12 November 2020, the Company obtained 2 loans from NatWest totalling £11.0m. The first loan for £6m was repayable by instalments, over 20 months, starting March 2021, with the final payment due in November 2022. Interest was charged at 1.96% above base rate for the first 12 months, then 2.46% above base rate for the remainder of the term.

The second loan for £5.0m was repayable in November 2022. Interest was charged at 1.96% above base rate for the first 12 months, then 2.46% above base rate for the remainder of the term.

Both loans, which have now been repaid, were secured by debentures and a parental guarantee from Merkur Casino GmbH.

24. Financial instruments

	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Financial assets that are debt instruments measured at amortised cost:				
Cash and cash equivalents	16,250	11,724	-	-
Trade receivables	-	224	-	-
Other receivables	12,844	2,123	-	-
	<u>29,094</u>	<u>14,071</u>	<u>-</u>	<u>-</u>
Financial liabilities that are debt instruments measured at amortised cost:				
Trade payables	(4,701)	(4,974)	-	-
Other payables	(15,893)	(15,631)	(5,102)	-
Loans and borrowings	(91,079)	(77,381)	-	(8,666)
	<u>(111,673)</u>	<u>(97,986)</u>	<u>(5,102)</u>	<u>(8,666)</u>

MERKUR CASINO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

25. Deferred taxation liability / (asset) Group

	2022 £000	2021 £000
At 1 January 2022	(3,667)	(1,261)
Charged /(credited) to the profit or loss	3,984	(2,406)
At 31 December 2022	317	(3,667)

At 31 December 2022 a net deferred tax liability of £317,000 has been recognised (2021: deferred tax asset of £3,667,000). This consists of deferred tax assets relating to losses and provisions of £3,607,000 and £296,000 respectively (2021: £4,588,000 and £317,000), and a deferred tax liability of £4,220,000 in respect of accelerated capital allowances (2021: £1,238,000).

At 31 December 2022, the Group has recognised a deferred tax asset in relation to £14.9m of unutilised losses. All deferred tax has been recognised in the financial statements of the Group at rates between 23.5% and 25%, dependent upon the timing of the expected reversal of the temporary timing difference. (2021: at rates between 19% and 25%). Of these losses, £14.8m were incurred post 1 April 2016, which means that they can be utilised in all UK companies in the Gauselmann group.

The utilisation of losses is dependent upon the level of taxable profits in the UK companies of the Gauselmann group, and the extent to which a strategic decision is taken to delay the utilisation of losses until after 1 April 2023, which is when the rate of corporation tax increases from 19% to 25%.

26. Provisions for liabilities and charges

	Group 2022 £000	Group 2021 £000	Company 2022 £000	Company 2021 £000
Deferred Tax (note 25)	317	-	-	-
Other provisions	15,697	17,706	-	-
	16,014	17,706	-	-

Other provisions are included below:

	Dilapidations	Closed site	Onerous lease	Total
Group	£000	£000	£000	£000
At 1 January 2022	7,854	8,364	1,488	17,706
Charged to profit or loss	1,644	1,141	1,539	4,324
Transfers	-	435	(435)	-
Utilised or released in year	(1,140)	(4,141)	(1,052)	(6,333)
At 31 December 2022	8,358	5,799	1,540	15,697

MERKUR CASINO UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

26. Provisions for liabilities and charges (continued)

Dilapidations

As part of the Group's property leasing arrangements there is an obligation to repair damages which occur during the life of the lease, such as wear and tear. The provision is based on the charge that could reasonably be expected to arise at the end of, or during the respective lease terms and represents the accrued charge from the inception of the lease to 31 December 2022. The provision is expected to be utilised at various dates up to 2042 (2020: 2041).

The provision is not discounted as it represents the present value of the obligation based on current estimates of the cost of repairs.

The rate at which the provision is calculated is constantly under review. In the current year the Group has applied a revised rate to the calculation to take account of new information which indicates that the average cost per square metre being experienced for property restoration is increasing.

As the revision to the calculation of the dilapidation provision is a result of new information, the revision is being treated as a change in accounting estimate. The change in accounting estimate for the Group amounts to an additional charge to the Statement of Comprehensive Income in the current year of £886,000.

In 2022, £1,000,000 of the dilapidation provision was utilised on the termination of 2 lease arrangements before the end of their respective lease terms.

Closed site costs

Where leasehold properties cease trading and become vacant, the Group provides for all costs, net of anticipated income, to the end of the lease or the anticipated time until its disposal or sublet. The provision, which is discounted at 3.45% (2021: 1.21%) reflecting the risk-free rate of interest, is expected to be utilised at various dates up to 2033.

The change to the discount rate being used in the calculation of the provision has resulted in an increase of £169,000 to the site closure provision and a corresponding charge to the Statement of Comprehensive Income.

In 2022, the Group terminated a lease arrangement before the end of the lease term. This has resulted in a £1.9m release of the related site closure provision, and a corresponding credit to the Statement of Comprehensive Income.

In 2021, the value of the closed site provision released results from the Group being able to negotiate sublet arrangements on properties which have previously been subject to a closed site provision.

Onerous lease costs

During the year the Group recognised a provision for loss-making venues where EBITDA results suggest the potential for onerous lease charges. In such cases, future expected cash flow performance of those individual venues is reviewed and discounted over the applicable term of the lease and compared to the committed rent payments for the corresponding period. Where there is a deficit between the cash flow and the committed rent then the net cost is recorded as an onerous lease charge. A provision has been made for the net lease costs for 5 years on the basis that the loss-making sites will either be closed or become profitable within that timeframe.

The provision is discounted at 3.45% (2021: 1.21%), reflecting the risk-free rate of interest.

In 2022, the Group changed the process for determining when a venue is included in the onerous lease provision by extending the evaluation period of new venues before assessing whether an onerous lease may exist. The revision to the onerous lease calculation process is considered to be a change in accounting estimate and has been accounted for prospectively in accordance with the requirements of FRS 102 section 10.16. The change in the process reduces the number of new AGC venues considered to require a provision for an onerous lease.

In 2021, the value of the onerous lease provision released results either from venues no longer requiring an onerous lease provision or where the Group has been able to exit a lease contract relating to a venue which has been subject to an onerous lease provision.

MERKUR CASINO UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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27. Share capital

	2022	2021
	£	£
Shares classified as equity		
Allotted, called up and fully paid		
1 Ordinary share of £1	1	1

The Company has one class of ordinary shares which carry voting rights but no right to fixed income.

28. Reserves**Other reserves**

Other reserves relate to a capital contribution received by the Company from Merkur Casino GmbH. On 1 October 2012, a capital contribution of £76,000,000 was received which enabled the Company to purchase the entire share capital of Merkur Casino Holdings UK Limited.

On 1 January 2018 the Group recognised a capital contribution of £4,701,000 arising on the redenomination of a long-term Euro loan into Sterling, which had been provided at an interest rate lower than the market rate of interest. Details of this transaction are provided in note 23.

Profit & loss account

The profit and loss reserve represents cumulative profits and losses.

29. Pensions

The Group operates two defined contribution pension schemes into which all the employees of Group Companies contribute. The pension cost charge for the year represents contributions payable by the Group to the scheme and amounted to £957,000 (2021: £758,000). There were outstanding employer and employee contributions of £195,000 (2021: £121,000) at the year end.

30. Commitments under operating leases

At 31 December 2022 the Group had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2022 £000	Group 2021 £000
Not later than 1 year	12,175	12,486
Later than 1 year and not later than 5 years	43,654	44,203
Later than 5 years	57,045	52,780
	<u>112,874</u>	<u>109,469</u>

During 2022, the Group continued to enter into operating leases for new venues as a part of the Merkur Slots project. The majority of these new leases have a lease term of 15 years.

Income from Operating leases

Minimum lease receipts due on sub-leases are split £169,000 (2021: £277,000) due within one year, £645,000 (2021: £932,000) due later than 1 year and not later than 5 years and £373,000 (2021: £382,000) due later than 5 years.

MERKUR CASINO UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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31. Government Grants and Assistance

The following government grants were receivable during the year:

	2022	2021
	£000	£000
Coronavirus Job Retention Scheme (see note 5)	–	6,919
Local Restriction Support Grants (see note 5)	–	2,421
Restart Grants (see note 5)	–	2,201
Omicron Hospitality & Leisure Grant (note 5)	812	–
	<u>812</u>	<u>11,541</u>

In addition to Government Grants, the Group has also benefited from Business Rates relief during 2021 which continued into the first quarter of 2022. This relief applied to most trading venues, for the period from 1 January to 31 December 2022. This has taken the form of full business rates relief to 30 June 2021 and a partial relief from 1 July to 31 March 2022.

No business rates relief applies to the Group's venues in Wales.

32. Related party transactions

The Group is a wholly owned subsidiary of Merkur Casino GmbH and is included in the consolidated financial statements of that company. The Group has taken advantage of the exemption permitted by FRS 102 Section 33 Related Party Disclosures, from disclosing related party transactions with other wholly owned entities that are part of the Merkur Casino UK Group.

During the year, the Company entered into transactions with other group companies which are under the common control of the ultimate parent company, Gauselmann AG. Under the terms of FRS 102 Section 33 Related Party Disclosures, an exemption from disclosing these transactions has been taken.

33. Events after the reporting date

Since the year end the Group has been evaluating an opportunity to expand operations into the Casino sector of the industry. At the date of approval of these financial statements no investment decision has been made.

As no decision has been made, it is not possible to estimate the financial effect of any future transaction.

34. Controlling party

The immediate parent of MUK and the controlling party is Merkur Casino GmbH, a Company registered in Germany.

The smallest group in which the results of the Company are consolidated is that headed by Merkur Casino UK Limited. Copies of the Merkur Casino UK Limited financial statements may be obtained from The Secretary, Merkur Casino UK Limited, Seebeck House, 1A Seebeck Place, Knowlhill, Milton Keynes, Buckinghamshire, MK5 8FR.

The largest group in which the results of the Company are consolidated is that headed by Gauselmann AG, the ultimate controlling party. A copy of these financial statements may be requested from Gauselmann AG, Merkur Allee 1-15, 32339, Espelkamp, Germany.