

Registered number: 07833708

Praesepe Holdings Limited

Annual Report and Financial Statements

For the year ended 31 December 2019

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PRAESEPE HOLDINGS LIMITED

COMPANY INFORMATION

Directors	B Lungen S Bruns
Company secretary	EMW Secretaries Limited
Registered number	07833708
Registered office	Seebeck House 1A Seebeck Place Knowhill Milton Keynes Buckinghamshire MK5 8FR
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 30 Finsbury Square London EC2A 1AG

PRAESEPE HOLDINGS LIMITED

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PRAESEPE HOLDINGS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Introduction

The directors presents the strategic report for Praesepe Holdings Limited (the Company) for the year ended 31 December 2019.

Business review

The Company's principal activity is to act as a holding company for Cashino Gaming Limited, Baleday Limited, William Clark (Holdings) Limited, Mirage Centres Limited, Praesepe Service Limited, Beacon Bingo Limited and their subsidiaries, providing administration functions to those companies in return for charging a management fee. The subsidiary companies are engaged in the provision of leisure services and entertainment facilities. The Company also acts as a holding company for Praesepe Limited, which in turn acts as a holding company for the Group's non-trading companies.

A list of all companies in the Praesepe Holdings Group ("Group") is shown in note 15 to these financial statements. The directors are not aware, at the date of this report, of any likely major changes in the Company's principal activities in the forthcoming year.

Principal risks and uncertainties

Management continually monitor the key risks facing the Company 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.

Further to the recent global outbreak of Coronavirus disease (COVID-19), the directors of the Company continue to assess the situation within the UK and the potential risk to the operation of the business on a daily basis. At the time of signing of these accounts, there has been no notable impact on either Revenue or Footfall within the Group's AGC's, however a reduction in Footfall is expected in the Group's Bingo venues. The directors have taken all necessary measures, as advised by the NHS,WHO and the UK government, within the venues and at head office, including the promoting hygiene standards and providing facilities to enable this; and advising that any employees who are showing symptoms of the virus should remain at home.

Whether or not venues can remain open during peak times of the illness will be dependent on the staffing levels available and advice from the authorities. However, the directors do not consider there to be a threat to the overall business in the case of a forced closure (i.e. government recommended action) due to ample liquidity and working capital within the Group. The Company and Group also have full financial support from the Group's Parent Company, Merkur Casino GmbH.

The changing environment within the gambling and leisure industry, which has arisen as a result of government legislation, represents the principal risk to the future profitability of the Company. It is the belief of the directors that appropriate strategies have, and are being further developed, to ensure the Company 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 Company profitability.

Details of all the principal risks affecting the Company are shown in the directors' report.

PRAESEPE HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

Financial key performance indicators

Management use a range of performance measures to monitor and manage the business. The performance measures are split into financial and non-financial key performance indicators as set out below.

The Operating result (including exceptional items) for the year decreased to a loss of £8.0m (2018: loss of £0.1m). This was due the recognition of an £8.2m impairment against the carrying value of the investment in William Clark (Holdings) Limited.

Creditor days for the Company were 25 for the year (2018: 33 days).

Financial position at the reporting date

The statement of financial position shows that the Company's net assets at the year-end reduced by £0.8m, from £41.5m to £40.7m predominantly as a result of the recalculation of the interest on the Group loan to market rate. The impact of the restatement of interest payable was an additional charge to the profit or loss account of £1.1m (2018: £1.2m) (note 10).

Development and financial performance during the year

In 2019, the Company directors focused on improving the profitability of the Adult Gaming Centre ('AGC') and Bingo Club estate in the Company's trading subsidiaries, and put in place plans to close operations where a profit cannot be achieved.

A project to define the technical and style standards of the Group was agreed in 2018 and undertaken during 2019 (the 'Future Venues' project). A total of 29 venues had been refurbished by the end of the year, for a total investment of £8.1m. On average, the Group has seen an increase in revenue at these venues of 15.2%.

Machine mix and content were reviewed in detail in the year, with 30% of the machine estate being replaced in the subsidiaries, at an investment of £15m. This has had a positive effect on revenue in the year, with an increase in revenue of nearly 10% on the top performing machines.

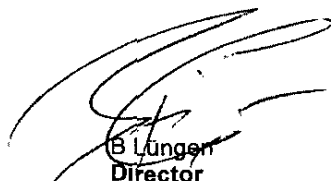
The customer service offering was also reviewed at all of the Group's venues during 2019, with total investment during 2018 and 2019 of £2.6m.

In April 2019, the maximum stake for Fixed Odds Betting Terminals (FOBTs) was reduced from £100 to just £2. This appears to have had a positive impact on the revenues of the Company's subsidiaries.

The directors of the Company expect that the regulatory regime surrounding customer welfare pertaining to gambling machines is expected to strengthen, but are confident that the Company'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 161, which included 5 Bingo Clubs.

This report was approved by the board on 13 March 2020 and signed on its behalf.



B Lungen
Director

PRAESEPE HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

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

Directors' responsibilities statement

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, directors are required to:

- select suitable accounting policies for the Company'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 Company will continue in business.

Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The loss for the year, after taxation, amounted to £829,000 (2018: £1,679,000).

The directors do not recommend the payment of a dividend (2018: £nil).

Directors

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

B Lungen
S Bruns

Charitable and political donations

The Company made charitable donations during the year of £126,000 (2018: £115,000).

During the year the Company made no political donations (2018: £nil).

PRAESEPE HOLDINGS LIMITED

DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2019

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 works hard to ensure that it actively provides and promotes an environment in which customers play safely. The Company also works with stakeholders, customers and regulators to help public understanding of the gaming offerings 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 is maintained.

Liquidity risk

The management of the Company's cash and borrowing requirements are undertaken by the Group to maximise interest income and minimise interest expense, whilst ensuring that the Company has sufficient liquid resources to meet the operating needs of its business.

Interest rate risk

The Company is exposed to cash flow interest rate risk on floating rate deposits, bank overdrafts and loans.

Foreign currency risk

The Company's 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.

Credit risk

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

Future Developments

In 2020 the directors will continue to focus on improving the profitability of the AGC and Bingo estate in the relevant subsidiaries. Plans will 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 through new sites that will be identified and acquired over the next 5 years.

The future venues project will continue during 2020 with the intention of transforming all suitable venues to the new standard by the end of 2024. The transformation includes the refurbishment of the sites, the customer service offering and changes to the ambience of the venues. There are 30 venues planned for refurbishment in 2020.

During the year, the board of directors agreed a new project ('Merkur Slots') that will increase the presence of the Merkur brand on the High Street, have a positive impact on market share and establish a growth trajectory across the business. This will be a new brand for the Group, which will incorporate smaller sized venues as AGC's. Potential venues will be reviewed during 2020, with investment being made in suitable sites as leases are agreed.

The directors have secured financing for investments covering the next 5 years from both internal and external sources.

PRAESEPE HOLDINGS LIMITED

DIRECTORS' REPORT (continued) **FOR THE YEAR ENDED 31 DECEMBER 2019**

Going concern

The directors have a reasonable expectation that the Company has 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.

For further information regarding the directors' assessment of the going concern status of the Company, refer to the accounting policies Note 2.3 in the financial statements.

Qualifying third party indemnity provisions

The Company's Articles of Association provide, subject to the provisions of UK legislation, an indemnity for directors and officers of the Company 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 or employees of the Company.

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

Employee consultation

The Group to which the company belongs 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, monthly employee newsletters, and a bi-annual company magazine.

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. During the year the Group supported the BACTA charitable trust, which allowed the Group to support more local charities, as well as four major charities including Great Ormond Street Hospital, Days of Sunshine, Teenage Cancer Trust and The Royal Marsden Cancer charity.

Employment of disabled persons

The Company'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 Company and its subsidiaries. Employees who become disabled are retained in their existing posts where possible or retrained for suitable alternative posts.

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 & 2.

PRAESEPE HOLDINGS LIMITED

DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 31 DECEMBER 2019

Disclosure of information to auditor

The directors have confirmed that:

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

Events after the Statement of Financial Position date

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

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 13 March 2020 and signed on its behalf.



B Lungen
Director

PRAESEPE HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF PRAESEPE HOLDINGS LIMITED

Opinion

We have audited the financial statements of Praesepe Holdings Limited (the 'company') for the year ended 31 December 2019 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 company's affairs as at 31 December 2019 and of its 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 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.

The impact of uncertainties arising from the UK exiting the European Union on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company associated with a course of action such as Brexit

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

PRAESEPE HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF PRAESEPE HOLDINGS LIMITED

Other information

The directors are responsible for the other information. The other information comprises the information included in the directors 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 has 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 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

PRAESEPE HOLDINGS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF PRAESEPE HOLDINGS LIMITED

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.

Use of 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.

Grant Thornton UK LLP

Nicholas Watson BSc ACA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
Date: 13 March 2020

PRAESEPE HOLDINGS LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £000	2018 £000
Administrative expenses		(13,094)	(11,750)
Exceptional administrative expenses	12	(7,907)	(746)
Other operating income	4	13,035	12,423
Operating loss	5	(7,966)	(73)
Income from shares in group undertakings	15	8,299	-
Profit / (loss) before interest and taxation		333	(73)
Interest receivable and similar income	9	912	426
Interest payable and similar charges	10	(2,198)	(1,987)
Loss on ordinary activities before taxation		(953)	(1,634)
Taxation on loss on ordinary activities	11	124	(45)
Loss for the financial year		(829)	(1,679)
Other comprehensive income for the year		-	-
Total comprehensive loss for the year		(829)	(1,679)

The notes on pages 13 to 32 form part of these financial statements.

PRAESEPE HOLDINGS LIMITED
REGISTERED NUMBER: 07833708

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	2019 £000	2018 £000
Fixed assets			
Intangible assets	13	42	135
Tangible assets	14	295	444
Investments	15	61,001	69,201
		<u>61,338</u>	<u>69,780</u>
Current assets			
Debtors: Amounts falling due within one year	16	49,477	52,719
Cash at bank and in hand	17	1,932	310
		<u>51,409</u>	<u>53,029</u>
Creditors: Amounts falling due within one year	18	(43,034)	(43,813)
Net current assets		<u>8,375</u>	<u>9,216</u>
Total assets less current liabilities		<u>69,713</u>	<u>78,996</u>
Creditors: Amounts falling due after more than one year	19	(28,758)	(37,114)
Provisions for liabilities			
Other provisions	22	(235)	(333)
		<u>(235)</u>	<u>(333)</u>
Net assets		<u><u>40,720</u></u>	<u><u>41,549</u></u>
Capital and reserves			
Called up share capital	24	-	-
Capital contribution reserve	23	4,701	4,701
Profit and loss account	23	36,019	36,848
		<u><u>40,720</u></u>	<u><u>41,549</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 13 March 2020.


B Lingen
 Director

The notes on pages 13 to 32 form part of these financial statements.

PRAESEPE HOLDINGS LIMITED

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

	Called up share capital £000	Capital contribution reserve £000	Profit and loss account £000	Total equity £000
At 1 January 2019	-	4,701	36,848	41,549
Comprehensive loss for the year				
Loss for the year	-	-	(829)	(829)
Total comprehensive loss for the year	-	-	(829)	(829)
At 31 December 2019	-	4,701	36,019	40,720

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Called up share capital £000	Capital contribution reserve £000	Profit and loss account £000	Total equity £000
At 1 January 2018	-	4,701	38,527	43,228
Comprehensive loss for the year				
Loss for the year	-	-	(1,679)	(1,679)
Total comprehensive loss for the year	-	-	(1,679)	(1,679)
At 31 December 2018	-	4,701	36,848	41,549

The notes on pages 13 to 32 form part of these financial statements.

PRAESEPE HOLDINGS LIMITED

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

1. General information

Praesepe Holdings Limited is a private limited company, limited by shares, incorporated in England and Wales. The address of its registered office and principal place of business are disclosed in the company information.

The principal activities of the Company are to act as a holding company for Cashino Gaming Limited, Mirage Centres Limited, Praesepe Limited, Beacon Bingo Limited, Baleday Limited and William Clark (Holdings) Limited.

The financial statements are presented in Sterling, which is also the functional currency of the Company, and rounded to the nearest £'000.

2. Accounting policies

2.1 Basis of Preparation

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

The Company is exempt by virtue of Section 400 of the Companies Act 2006 from the requirement to prepare group financial statements as the Company is included within the consolidated accounts of Merkur Casino UK Limited, which are publicly available. These financial statements present information about the Company as an individual undertaking and not about its group.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland:

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7;
- the requirements of Section 9 Consolidated and Separate Financial Statements paragraph 9.3.

This information is included in the consolidated financial statements of Merkur Casino UK Limited ("MCUK") as at 31 December 2019 and these financial statements may be obtained from Seebeck House, 1A Seebeck Place, Knowlhill, Milton Keynes, Buckinghamshire, MK5 8FR.

PRAESEPE HOLDINGS LIMITED

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

2. Accounting policies (continued)

2.3 Going Concern

After reviewing the Company's and wider MCKUK Group's budgets and forecasts for the next 12 months from the date of this report, its liquid resources and its medium term plans, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and, accordingly, consider that it is appropriate to adopt the going concern basis in preparing these financial statements.

2.4 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. Intangible assets are amortised using the straight-line method. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Software	-	3 to 5 years
Licenses	-	10 years
Lease premiums	-	period of lease

2.5 Other operating income

Income is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Income is measured as the fair value of the consideration received, excluding discounts.

Rental Income

Operating lease income from properties is recognised in the Statement of Comprehensive Income on a straight-line basis over the lease term.

Management charges

Management fees to other group companies represents the recharge of administration and management costs incurred by the Company. Management fees are recognised in the Statement of Comprehensive Income when the management services are provided.

2.6 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 Company 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 Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance costs are charged to the Statement of Comprehensive Income during the period in which they are incurred.

PRAESEPE HOLDINGS LIMITED

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

2. Accounting policies (continued)

2.6 Tangible Fixed Assets (continued)

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:

Short Term Leasehold Property	- Period of lease
Plant & Machinery	- 5 years
Motor vehicles	- 4 years
Fixtures & Fittings	- 3 to 10 years

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the Statement of Comprehensive Income.

2.7 Investments

Investments held as fixed assets are shown at cost less provision for 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.

2.8 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

PRAESEPE HOLDINGS LIMITED

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

2. Accounting policies (continued)

2.9 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 Company. 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.

Rental income from operating leases is credited to 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.

The Company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 January 2015 to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.10 Finance Costs

Finance costs relating to finance leases and hire purchase contracts are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds if the associated capital instrument.

Finance costs relating to loans from the Company's overseas parent Merkur Casino GmbH, are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount.

Finance costs relating to loans from other Group companies are calculated on the average balance outstanding using an estimated market rate of interest, and charged to the Statement of Comprehensive Income.

2.11 Interest Income

Interest income relating to loans to other Group companies are calculated on the average balance outstanding using an estimated market rate of interest, and recognised in the Statement of Comprehensive Income.

PRAESEPE HOLDINGS LIMITED

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

2. Accounting policies (continued)

2.12 Financial Instruments

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

Financial assets – classified as basic financial instruments.

(i) Cash and cash equivalents

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

(ii) Other receivables

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 Company 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 Company 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.

(iii) 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.

PRAESEPE HOLDINGS LIMITED

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

2. Accounting policies (continued)

2.13 Foreign Currency Translation

The Company's functional currency is Sterling.

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 statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'other operating income'.

2.14 Borrowing costs

All borrowing costs are recognised in the Statement of Comprehensive Income in the year in which they are incurred.

2.15 Taxation

Tax is recognised in the 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 reporting date in the countries where the Company operates and generates income.

Full provision is made for deferred tax assets and liabilities arising from all the timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

PRAESEPE HOLDINGS LIMITED

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

2. Accounting policies (continued)

2.15 Taxation (continued)

A net deferred tax asset is recognised only if it can be regarded as more likely than not there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

2.16 Exceptional Items

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

2.17 Pensions

The Group operates two defined contribution plans into which the employees of Praesepe Holdings Limited are included. 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 Statement of Comprehensive Income of the employing Company 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.

2.18 Provisions

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires 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 Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the date of the Statement of Financial Position of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

PRAESEPE HOLDINGS LIMITED

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

3. 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 fixed assets (2.4), tangible fixed assets (2.6) and provisions (2.18).

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, 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.

PRAESEPE HOLDINGS LIMITED

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

4. Other operating income

	2019 £000	2018 £000
Rents receivable from other group companies	240	379
Sundry income	20	27
Fees receivable from group companies for management and administration services	12,775	12,017
	<u>13,035</u>	<u>12,423</u>

5. Operating loss

The operating loss is stated after charging:

	2019 £000	2018 £000
Loss on disposal of intangible fixed assets	-	22
Depreciation of tangible fixed assets – owned	138	223
Amortisation of intangible assets	55	76
Loss on disposal of fixed assets	131	39
Defined contribution pension cost	190	204
Other operating leases	<u>586</u>	<u>1,049</u>

6. Auditor's remuneration

	2019 £000	2018 £000
Fees payable to the Merkur Casino UK Limited Group's auditor and its associates for the audit of the Group's annual accounts	<u>135</u>	<u>118</u>

Audit fees for the current and previous financial years include the audit costs in relation to other group companies. Had the audit fees been borne by the respective companies for 2019, then the audit fee for the Company would have been £12,000 (2018: £10,000).

Fees paid to the auditors in respect of tax services and other non-audit fees amounted to £113,000 (2018: £16,250).

Details of amounts incurred by the Company on behalf of other group companies can be found in the respective financial statements for each Company.

PRAESEPE HOLDINGS LIMITED

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

7. Employees

Staff costs were as follows:

	2019 £000	2018 £000
Wages and salaries	6,272	5,273
Social security costs	922	762
Pension costs (note 25)	190	204
	<u>7,384</u>	<u>6,239</u>

The average monthly number of full time equivalent employees during the year was as follows:

	Number	Number
Management and administration	<u>86</u>	<u>90</u>

8. Directors' remuneration

	2019 £000	2018 £000
Directors' emoluments	<u>331</u>	<u>404</u>
	<u>331</u>	<u>404</u>

During the year retirement benefits were accruing to no directors (2018: none) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £331,000 (2018: £212,000).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £nil (2018: £nil).

9. Interest receivable and similar income

	2019 £000	2018 £000
Interest receivable from group companies	901	426
Bank interest receivable	<u>11</u>	<u>-</u>
	<u>912</u>	<u>426</u>

PRAESEPE HOLDINGS LIMITED

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

10. Interest payable and similar charges

	2019 £000	2018 £000
Loans from group undertakings	1,891	1,969
Finance leases and hire purchase contracts	306	18
Other interest payable	1	-
	<u>2,198</u>	<u>1,987</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 1% per annum has been recognised at inception using the market rate of 4.22%. Consequently, additional interest of £1,067,000 has been charged to the statement of comprehensive income in the year (2018: £1,249,000). Further details are provided in Note 20 to these financial statements.

11. Taxation

	2019 £000	2018 £000
Corporation tax		
Current tax on loss for the year	-	-
Adjustments in respect of previous periods	-	45
Total current tax	<u>-</u>	<u>45</u>
Deferred taxation		
Origination and reversal of temporary timing differences	22	-
Deferred tax asset recognised in the year	(146)	-
Total deferred taxation	<u>(124)</u>	
Taxation on loss on ordinary activities	<u>(124)</u>	<u>45</u>

PRAESEPE HOLDINGS LIMITED

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

11. Taxation (continued)

The tax assessed for the year is higher than (2018: higher than) the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%). The differences are explained below:

	2019 £000	2018 £000
Loss on ordinary activities before tax	(953)	(1,634)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	(181)	(311)
Effects of:		
Expenses not deductible for tax purposes	1,783	338
Depreciation in excess of Capital allowances for year	-	(29)
Group income not taxable	(1,577)	-
Other differences leading to a decrease in the tax charge	(3)	2
Deferred tax asset recognised in the year	(146)	-
Adjustment in respect of prior periods	-	45
Total tax (credit) / charge for the year	(124)	45

Factors that may affect future tax charges

A deferred tax asset has not been recognised in relation to other temporary timing differences of £188,000 (2018: £1,619,000). Details are provided in note 21.

Changes in tax legislation

Under the Finance Act 2017, the rate of Corporation Tax was reduced from 19% to 17% from April 2020. Deferred tax has been calculated using 17%.

In the Budget 2020, which was published on 11 March 2020, the Government announced that plans to reduce Corporation Tax from 19% to 17% from April 2020 will not go ahead, but remain at 19%. The calculation of deferred taxation has not been updated for this change.

12. Exceptional items

	2019 £000	2018 £000
HM Revenue and Customs costs	(293)	450
Redundancy costs	-	296
Impairment of investment in William Clark (Holdings) Ltd	8,200	-
	7,907	746

HM Revenue and Customs costs

In 2018 the Group was the subject of an investigation by HM Revenue and Customs regarding the Group's requirement for employees to provide and pay for parts of their own uniform, and the impact of that policy on the requirement to pay the national minimum wage. As a result of the investigation, the Group agreed that the uniform policy has inadvertently resulted in some employees being paid less than the national minimum wage. Therefore the Group recognised an accrual for the cost of underpaid wages payable to past and current employees, and the cost of tax penalties which could be levied. At the end of 2018, the liability was estimated at £450,000. In 2019 the actual liability was determined and a credit of £293,000 was released to the Statement of Comprehensive Income.

PRAESEPE HOLDINGS LIMITED

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

13. Intangible assets

	Software £000	Licences £000	Total £000
Cost			
At 1 January 2019	368	3	371
Disposals	(101)	-	(101)
Disposals to other group companies	(25)	-	(25)
At 31 December 2019	<u>242</u>	<u>3</u>	<u>245</u>
Amortisation			
At 1 January 2019	235	1	236
Charge for the year	55	-	55
Disposals	(83)	-	(83)
Disposals to other group companies	(5)	-	(5)
At 31 December 2019	<u>202</u>	<u>1</u>	<u>203</u>
Net book value			
At 31 December 2019	<u>40</u>	<u>2</u>	<u>42</u>
At 31 December 2018	<u>133</u>	<u>2</u>	<u>135</u>

The amortisation charge for the year is included in the Statement of Comprehensive Income under administrative expenses.

PRAESEPE HOLDINGS LIMITED

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

14. Tangible fixed assets

	Short Term Leasehold Property £000	Plant & machinery £000	Motor vehicles £000	Fixtures & fittings £000	Total £000
Cost or valuation					
At 1 January 2019	4	147	1	855	1,007
Additions	-	-	-	181	181
Additions from other group companies	-	-	-	20	20
Disposals to other group companies	(4)	(125)	-	(19)	(148)
Disposals	-	(4)	-	(309)	(313)
At 31 December 2019	-	18	1	728	747
Depreciation					
At 1 January 2019	2	50	1	510	563
Charge for the period	-	9	-	129	138
Additions from other group companies	-	-	-	-	-
Disposals to other group companies	(2)	(41)	-	(10)	(53)
Disposals	-	(3)	-	(193)	(196)
At 31 December 2019	-	15	1	436	452
Net book value					
At 31 December 2019	-	3	-	292	295
At 31 December 2018	2	97	-	345	444

Fixed Asset Review

During the year the Group carried out a review of the carrying value of fixed assets in each Company and a physical verification of assets. As a result of the review, assets included in the financial statements which related to other group companies were transferred to the respective Companies at net book value.

Assets held under finance leases

During the year, the Company purchased gambling machines on behalf of the MCUK Group at a cost of £1,655,000 under finance lease agreements (2018: £9,587,000). The machines were recharged to its subsidiaries at cost where they were capitalised. The finance lease creditor has been retained in the Company. Details of the gambling machines purchased for each subsidiary is provided in the respective financial statements.

The carrying value of assets held under finance leases is £nil (2018: £nil).

PRAESEPE HOLDINGS LIMITED

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

15. Fixed asset investments

	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2019 and 31 December 2019	<u>69,701</u>
Impairment	
At 1 January 2019	500
Charge for the year	8,200
At 31 December 2019	<u>8,700</u>
Net book value	
At 31 December 2019	<u><u>61,001</u></u>
At 31 December 2018	<u><u>69,201</u></u>

In the year the Company reviewed the cost of investment in William Clark (Holdings) Limited, and as a result, an impairment of £8,200,000 was made.

During the year the Company received dividends of £3,468,000 from William Clark (Holdings) Limited, £4,090,000 from Baleday Limited and £741,000 from Mirage Centres Limited.

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
Cashino Gaming Limited	Ordinary	100 %	Adult Gaming Centre operator
Baleday Limited	Ordinary	100 %	Adult Gaming Centre operator
Beacon Bingo Limited	Ordinary	100 %	Proprietor of bingo clubs
Praesepe Limited	Ordinary	100 %	Intermediate holding company
Classic Leisure (Northern) Limited*	Ordinary	100 %	Non-trading company
Thomas Holdings Limited*	Ordinary	100 %	Non-trading company
Cashino Gaming (E&J) Limited*	Ordinary	100 %	Non-trading company
United Leisure Limited*	Ordinary	100 %	Non-trading company
William Clark (Holdings) Limited	Ordinary	100 %	Intermediate holding company
Mayfair Acquisitionco Limited *	Ordinary	100 %	Non-trading company
William Clark Limited*	Ordinary	100 %	Adult Gaming Centre operator
Dolphin Gaming Limited*	Ordinary	100 %	Non-trading company
Mirage Centres Limited	Ordinary	100 %	Adult Gaming Centre operator
Praesepe Service Limited *	Ordinary	66 %	Provider of maintenance services to the Gaming industry

*Denotes entities which are not directly owned by Praesepe Holdings Limited.
All subsidiaries are based in the UK.

PRAESEPE HOLDINGS LIMITED

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

16. Debtors: amounts falling due within one year

	2019	2018
	£000	£000
Trade debtors	82	3
Amounts owed by group undertakings	48,711	51,236
Amounts owed by related parties	89	428
Corporation tax	30	-
Deferred taxation (note 21)	124	-
Other debtors	20	311
Prepayments and accrued income	421	741
	<u>49,477</u>	<u>52,719</u>

The amounts owed by Group undertakings relating to finance leased asset are unsecured at an interest rate of 4.22% (2018: not applicable); all other amounts owed to Group undertakings are unsecured at an interest rate of 1.25% (2018: 1.25%). All have no fixed terms for repayment, and interest is rolled-up into the total loan balance.

17. Cash and cash equivalents

	2019	2018
	£000	£000
Cash at bank and in hand	1,932	310
	<u>1,932</u>	<u>310</u>

18. Creditors: Amounts falling due within one year

	2019	2018
	£000	£000
Loan from ultimate parent undertaking (note 20)	19,300	14,133
Trade creditors	447	2,457
Amounts owed to group undertakings	17,146	22,232
Amounts owed to related parties	550	606
Taxation and social security	525	364
Obligations under finance lease and hire purchase contracts	2,524	1,530
Other creditors	50	142
Accruals and deferred income	2,492	2,349
	<u>43,034</u>	<u>43,813</u>

The amounts owed to Group undertakings are unsecured at an interest rate of 1.25% (2018: £1.25%); They have no fixed terms for repayment, and interest is rolled-up into the loan balance.

PRAESEPE HOLDINGS LIMITED

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

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

	2019 £000	2018 £000
Loan from ultimate parent undertaking (note 20)	23,501	30,701
Net obligations under finance leases and hire purchase contracts	5,257	6,413
	<u>28,758</u>	<u>37,114</u>

The obligations under finance leases due after more than one year are split £2,606,000 (2018: £1,589,000) due between one and two years, £2,717,000 (2018: £4,206,000) due between two and five years and £nil (2018: £618,000) due after more than five years.

20. Loans

Analysis of the maturity of loans is given below:

	2019 £000	2018 £000
Amounts falling due within one year		
Loan from ultimate parent company	19,300	14,133
Amounts falling due 2-5 years		
Loan from ultimate parent company	23,501	26,519
Amounts falling due after more than 5 years		
Loan from ultimate parent company	-	4,182
	<u>42,801</u>	<u>44,834</u>

All loans from the ultimate parent undertaking are unsecured.

In 2017, the ultimate parent company, Merkur Casino GmbH, redenominated a long-term Euro loan into Sterling at a value of £48,027,000. The loan has 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 fair value, which is calculated by discounting the cash payments of the loan by the market rate of interest for a similar loan.

At inception, the fair 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 in the 2018 financial statements.

During the year the Company made principal repayments of £7,200,000 (2018: £7,200,000).

Other short-term loans from the ultimate parent company, Merkur Casino GmbH, are measured at amortised cost. Interest is charged at 2% on a loan of £3,000,000, and 2.5% on a loan of £5,000,000 which were obtained in 2018. In 2019 a loan of £4,100,000 was obtained from Merkur Casino GmbH at an interest rate of 2.5%. The loans are repayable on demand, and no adjustment to the carrying value of the loans was required on inception.

PRAESEPE HOLDINGS LIMITED

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

21. Deferred taxation asset

	£000
At 1 January 2019	-
Credited to profit or loss	124
At 31 December 2019	<u>124</u>

The deferred tax asset is made up as follows:

Accelerated capital allowances	84
Other timing differences	40
	<u>124</u>

At 31 December 2019, a deferred tax asset of £32,000, stated at 17%, (2018: £275,000 stated at 17%) has not been recognised in the financial statements of the Company due to uncertainty surrounding the timing of the reversal of the temporary differences in accordance with the Company's accounting policy.

Unprovided deferred tax consists of accelerated capital allowances of £32,000 (2018: £270,000) and other timing differences of £nil (2018: £5,000).

22. Provisions

	Dilapidations £000	Total £000
At 1 January 2019	333	333
Additions	27	27
Utilisation during the year	(125)	(125)
At 31 December 2019	<u>235</u>	<u>235</u>

As part of the Company'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 2019. The provision is expected to be utilised at various dates up to May 2022.

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

PRAESEPE HOLDINGS LIMITED

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

23. Reserves

Profit & loss account

The profit and loss reserve represents accumulated profits and losses of the Company.

Capital contribution reserve

On 15 December 2017 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 20.

24. Share capital

	2019 £	2018 £
Shares classified as equity		
Authorised, allotted, called up and fully paid		
1 Ordinary share of £1	<u>1</u>	<u>1</u>

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

25. Pension commitments

The Group operates two defined contribution pension schemes into which the employees of Praesepe Holdings Limited are included. The pension charge for the year represents contributions payable by the Company to the funds and amounted to £190,000 (2018: £204,000). At the end of the year there were employer and employee contributions outstanding of £24,000 (2018: £37,000).

26. Commitments under operating leases

At 31 December 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £000	2018 £000
Not later than 1 year	495	443
Later than 1 year and not later than 5 years	1,501	608
Later than 5 years	495	312
Total	<u><u>2,491</u></u>	<u><u>1,363</u></u>

PRAESEPE HOLDINGS LIMITED

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

27. Related party transactions

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

During the year the MCKUK Group entered into transactions with related parties which are not a part of the MCKUK Group. Their purchases and sales are processed centrally and recharged within the MCKUK Group through the intercompany accounts. Total purchases and sales with related parties outside the MCKUK group are disclosed in the financial statements of MCKUK.

At 31 December 2019, the following balances existed with related parties which are not a part of the MCKUK group (excluding loans shown in note 20):

	Receivable		Liability	
	2019 £000	2018 £000	2019 £000	2018 £000
Merkur Casino GmbH	-	-	376	211
Gauselmann AG	-	-	23	18
BEIT Systemhaus GmbH	-	-	40	84
Spielothek Immobilien Gauselmann GmbH	-	-	1	1
Regal Amusement Machines Sales Limited	-	-	-	24
Merkur Casino International GmbH	7	11	54	267
Merkur management Services Limited	82	417	5	-
ADP Gauselmann UK Limited	-	-	32	-
GeWeTe Geldwechsel & Sicherheitstechnik GmbH	-	-	19	1

28. Controlling party

As at 31 December 2019 the immediate parent company was Merkur Casino UK Limited, an intermediate holding company.

The largest group in which the results of the Company are consolidated is that headed by Merkur Casino GmbH. The smallest group in which the results of the Company are consolidated is that headed by Merkur Casino UK Limited. Copies of 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 immediate parent and ultimate controlling party of Merkur Casino UK Limited is Merkur Casino GmbH, a Company registered in Germany.