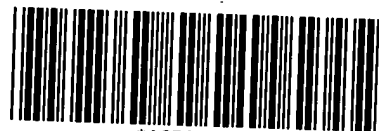


**Strategic Report, Directors' Report and
Financial Statements for the Year Ended 31 December 2023
for
Merkur Casino Holdings UK Limited**

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Merkur Casino Holdings UK Limited

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Merkur Casino Holdings UK Limited

Company Information for the Year Ended 31 December 2023

Directors:

E Coskun
I Ruf
M S Schertle

Registered office:

Second Floor Matrix House
North Fourth Street
Milton Keynes
MK9 1NJ

Registered number:

07833708 (England and Wales)

Independent auditors:

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
30 Finsbury Square
London
EC2A 1AG

Merkur Casino Holdings UK Limited

Strategic Report for the Year Ended 31 December 2023

The directors present their strategic report for the year ended 31 December 2023.

Business Review

Principal activity

The Company's principal activity is to act as a holding company, providing administration functions to the companies it holds 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 the Group's non trading companies.

A list of all companies in the Merkur Casino Holdings Group ("Group") is shown in note 16 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 (as disclosed in the Directors' Report) 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.

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 Company. It is the belief of the directors that appropriate strategies have been put in place, 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.

The UK Government released their White Paper on gambling in April 2023. The directors await the conclusion of various consultations and subsequent further information on the changes that result from these and will adapt future operations to adhere to the new regulations when they come into force.

Further information on the risks and strategies are disclosed in the Directors' Report and the consolidated financial statements of Merkur Casino UK Limited, the ultimate parent undertaking in the United Kingdom.

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 is increasing costs, although these have been fully considered in the Company's budgets and forecasts. The directors are mitigating these costs where possible, including, for example, purchasing energy in advance to access hedged rates that are as low as possible.

Key performance indicators

Management use a range of performance measures to monitor and manage the business as set out below.

The Operating result (including exceptional items) for the year was a profit of £0.1m (2022: loss of £5.2m). The increase in operating result in the year is due to two key factors. Firstly, impairment charges in the year were only £79,000 compared to the prior year charge of £3,950,000; and secondly, the Company reported a restatement to the carrying value of a loan £2.2m lower than the charge incurred in 2022. In 2023, this restatement, which arose from a revision to the expected future cash flows relating to the loan, was £717,000 (2022: £2,869,000).

The directors have also put a concentrated effort into cost optimisation across the whole business. The Company has diligently implemented and effectively executed a series of cost optimisation initiatives in order to safeguard the Company's profitability, and the profitability of its subsidiaries. These measures have been instrumental in fortifying the Company's financial performance, despite the challenges posed by an unpredictable economic environment. By successfully executing these cost optimisation strategies, the Company has demonstrated resilience and adaptability, ensuring the protection and enhancement of its profits amidst fluctuating market conditions.

Creditor days for the Company were 19 for the year (2022: 26 days).

Merkur Casino Holdings UK Limited

Strategic Report for the Year Ended 31 December 2023

Financial position at the reporting date

The statement of financial position shows that the Company's net assets at the year-end increased by £25.7m, from £34.1m to £59.8m, primarily due to a dividend in specie received from a dormant subsidiary company which transferred the investment in Merkur Bingo and Casino Entertainment UK Limited to the Company.

Business development during the year

The Company provides central administrative support, expertise and arranges funding for activities outside the normal operations of its subsidiary companies. The provision of these functions by the Company is integral to and contributed directly to the delivery of the Group's strategy.

In 2023, the directors focused on improving the profitability of the Adult Gaming Centre ('AGC') and Bingo Club estate in the Company's trading subsidiaries. The UK Group also began its expansion into the UK Casino market with the acquisition of a casino in Aberdeen.

In the current and prior years, the directors have demonstrated their commitment to prioritising employee satisfaction and recognising the employees as the Company's most valuable asset. Accordingly, pay rises were awarded in both October 2022 and April 2023 to help alleviate the rising cost of living and to bolster staff retention. This further solidifies the Company's dedication to nurturing a positive work environment and fostering the well-being of its workforce.

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 Groups' market share. The directors are satisfied that this has been achieved over the last three years. During 2023, a total of thirteen Merkur Slots venues were opened at an investment cost of £7m (2022: thirty-eight sites, at a cost of £16m). In 2024, and beyond, the directors intend to continue the Head Office support of the expansion of the business on the UK High Street by the Company's subsidiaries, whilst also encouraging the subsidiaries to consolidate and improve the existing venues.

Alongside the expansion of the number of venues in 2023, the directors of the Company continued to rebrand the existing estate in line with the new branding agreed in early 2021. This brand change brings the Company, and its venues, in line with the Merkur.com Groups' (formerly the Gauselmann Groups') overall branding strategy and utilises the internationally recognised 'Merkur Sun' logo. With only a few venues remaining, this project will complete in 2024.

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.

The directors of the Company expect that the regulatory regime surrounding customer welfare, in particular pertaining to gambling machines, will 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 228, which included 3 Bingo Clubs and 1 Casino (2022: 222 which included 3 Bingo Clubs and no Casino's).

Merkur Casino Holdings UK Limited

Strategic Report for the Year Ended 31 December 2023

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 Company'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 Company is delegated to executives with management engaged in settling, approving, and overseeing execution of the business strategy and related policies. The executives 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.

Much of the activity of the Company is driven by the activities of the Merkur Casino UK Group and as such stakeholders of that Group are considered stakeholders of the Company. The key stakeholders are our customers, employees, suppliers, the local communities in which it operates and regulators. The views of and the impact of the Company'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 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 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.

2023 saw the continued expansion of the Merkur brand, providing new gaming opportunities to customers, often in areas where the Group had not previously had a presence. This expansion resulted in the addition of a further thirteen new AGC venues and one new Casino in 2023. 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 that 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 Company's employees are described in full in the Directors' Report. Through this engagement the directors can 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.

Merkur Casino Holdings UK Limited

Strategic Report for the Year Ended 31 December 2023

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

Local communities

Community links remain important, and the directors continue to actively encourage participation in the Company's corporate social responsibility agenda. The Merkur Casino UK Group supports a range of local charities as well as other charities including the Young Gamers and Gamblers Education Trust (YGAM), Gamcare (a charity to raise awareness of and aid those affected by problem gambling across Britain), and Gambleaware.

Regulators

Throughout 2023, the Merkur Casino UK Group 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.

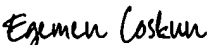
Environment

The Merkur Casino UK Group is focussed on ensuring that it reduces its impact on the environment. Events during 2023 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 2023. 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 the Merkur Casino UK Limited financial statements.

This report was approved by the board on 13 March 2024 and is signed on its behalf.

On behalf of the board:

DocuSigned by:

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E Coskun - Director

13 March 2024

Merkur Casino Holdings UK Limited

Directors' Report for the Year Ended 31 December 2023

The directors present their report with the financial statements of the Company for the year ended 31 December 2023.

Dividends

An interim dividend of £8.00 per share was paid on 16 November 2023. The directors recommend that no final dividend be paid.

The total distribution of dividends for the year ended 31 December 2023 will be £8,000,008.

Future developments

In 2024, the directors will continue to focus on improving the profitability of the AGC, Bingo and Casino 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 over the next five years through new lease acquisitions and development of these sites. Potential venues will continue to be reviewed during 2024, 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 2024 to ensure state of the art venues and to meet our customers' expectations.

Events since the end of the year

Information relating to events since the end of the year is given in the notes to the financial statements.

Directors

M S Schertle has held office during the whole of the period from 1 January 2023 to the date of this report.

Other changes in directors holding office are as follows:

S Bruns - resigned 3 April 2023
E Coskun - appointed 31 March 2023
B Lungen - resigned 31 March 2023
I Ruf - appointed 6 April 2023

Business risk

Regulatory risk

The UK Government released the "Gambling Act Review White Paper" in the House of Commons in April 2023. The Gambling Commission have stated that it will take "a number of years" to implement the various areas included in the White Paper and it is planned that these will be delivered through the Commissions' Licence Conditions and Codes of Practice ("LCCP"). The LCCP is the 'rule book' for gambling operators and any changes made to this by the Gambling Commission must legally undergo a full consultation. Consultation on some items such as direct marketing and incentives, age verification and frequency of regulatory returns has begun in 2023. The White Paper also recommended that a Statutory Levy replaces the current RET (Research, Education and Treatment) contributions that the Group currently makes which is based on a percentage of its Gross Gambling Yield ("GGY"). The Group expects that the proposed rates for the Statutory Levy would remain the same as is currently paid under the RET contribution scheme.

Company representatives of our subsidiaries participate in all consultations that affect the land-based sector and the directors remain committed to addressing any changes to the LCCP and legislation as these changes come into force. Until such time that changes are made as a result of consultation or legislation, the rules and regulations for the industry will remain the same as they are today.

In addition to the above, as part of the Gaming Act review the Government are proposing to introduce a Gambling Industry Ombudsman. The Code of Conduct has been drafted by the Betting and Gaming Council and is currently under review by the Department of Culture, Media and Sport ("DCMS"). Once finalised the position of Ombudsman will be put out to tender, which is expected to take place during 2024. The remit of the Ombudsman is to adjudicate on customer complaints in regard to gambling harm and failures of operators to uphold the Social Responsibility Code of their LCCP obligations.

Merkur Casino Holdings UK Limited

Directors' Report for the Year Ended 31 December 2023

Business risk (continued)

Regulatory risk (continued)

The directors welcome the strengthening of compliance and player protection that the White Paper promises to enhance in the UK, both through the land-based and online sectors of the industry and remain committed to the Group's social responsibility agenda. The political and social environment in the UK continues to perceive the gambling industry in a concerned light however, and there is a risk that negative publicity may lead to adverse changes in regulation and legislation in the future. The Company's subsidiaries work hard to ensure that their venues actively provide and promote an environment in which customers play safely. Key personnel such as Area Managers and Cluster Managers hold Personal Management Licences ("PML"), and training is provided for our PML holders via our specialist gambling licensing solicitors – Poppleston Allen.

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;
- Appointment of a dedicated Safer Gambling Officer;
- Point of sale safer gambling messaging on Category B and C machines;
- Customer Interactions and self-exclusion scheme;
- Think 25 Policy;
- Independent Age Verification Tests;
- Time and limit settings on gaming machines;
- City & Guilds accredited training delivered by YGAM/Betknowmore using 'lived experience' facilitators;
- Face-to-face and e-learning training modules, delivered by Gamcare and YGAM, to provide training on Social Responsibility and Enhanced skills for customer interactions; and
- Specific training for personal licence holders through "igaming" Learning Management System ("LMS").

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 Responsible Gambling Accreditation, which the UK Group was awarded in 2020 and retained under a full audit review in November 2023. 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 2021. This training involves enhanced Customer Interaction training including role play scenarios and was further developed in 2023. In 2022, the Company introduced "Back-to-Basics" training for all venue staff to address identified knowledge gaps and promote further awareness on machine categories and customer Self Exclusion; these training programmes have continued throughout 2023.

The directors also work 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. As a Group, Merkur are members of relevant Trade Associations, BACTA, The Bingo Association (BA) and The Betting and Gaming Council (BGC). A number of key senior managers sit on the BA Executive Board and the Social Responsibility Committees for BACTA, BA and BGC.

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.

Merkur Casino Holdings UK Limited

Directors' Report for the Year Ended 31 December 2023

Business risk (continued)

Financial risk

Liquidity

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

Interest rate

The Company is exposed to cash flow 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 Company does not have any funding which incorporates a benchmarked interest rate, nor any fixed-rate funding that is hedged using a derivative of a benchmarked interest rate. Furthermore, the Company 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 Company's foreign currency exposure arises from transactions with its German parent companies, related party companies and overseas suppliers. The Company believes the materiality of these transactions do not warrant hedging of foreign currency risks.

Credit

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

Charitable and political donations

The Company made charitable donations during the year of £263,000 (2022: £209,000).

During the year, the Company made no political donations (2022: £nil).

Going concern

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for at least 12 months from the date of this report, 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 Company, refer to the accounting policies note in the financial statements.

Directors' indemnity

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.

Merkur Casino Holdings UK Limited

Directors' Report for the Year Ended 31 December 2023

Employee consultation

The Merkur Casino UK Limited ("MCUK") 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.

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 2023 saw the support of the gaming industry's charity Young Gamers & Gamblers Education Trust (YGAM) to which the Group has contributed £75,000 in the year. The Group also contributed £25,000 to ESG - a not-for-profit technology research company, and £65,000 to Gamcare, a charity to raise awareness of, and aid those affected by, problem gambling in the UK.

The constituent members of the MCUK Group ("Group") are shown in the consolidated financial statements of Merkur Casino UK Limited, which are publicly available.

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 2 to 5. These matters relate to principal risks and uncertainties and key performance indicators.

Statement of directors' responsibilities

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 the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 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 of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Merkur Casino Holdings UK Limited

Directors' Report for the Year Ended 31 December 2023

Statement as to disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This report was approved by the board on 13 March 2024 and signed on its behalf.

On behalf of the board:

DocuSigned by:

Eyemen Coskun

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E Coskun - Director

13 March 2024

Independent Auditors' Report to the Members of Merkur Casino Holdings UK Limited

Opinion

We have audited the financial statements of Merkur Casino Holdings UK Limited (the 'company') for the year ended 31 December 2023, 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 2023 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We 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 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 company to cease to continue as a going concern.

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

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.

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 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.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

Independent Auditors' Report to the Members of Merkur Casino Holdings UK Limited

Other information (continued)

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 themselves. 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; 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 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We understood how the 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 and correspondence received from regulatory bodies.

Independent Auditors' Report to the Members of Merkur Casino Holdings UK Limited


Auditor's responsibilities for the audit of the financial statements (continued)

- We obtained an understanding of the legal and regulatory frameworks applicable to the company and determined that the following laws and regulations were most significant: Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006.
- In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements such as those laws and regulations relating to the gambling act and related legislation, health and safety, employee matters, environmental, and bribery and corruption practices.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
 - journal entries that increased income; and
 - potential management bias in manual journals, determining accounting estimates and any significant transactions outside of the normal conduct of business operations.
- Our audit procedures involved:
 - evaluation of the design effectiveness and assessing the design effectiveness of controls that management has in place to prevent and detect fraud;
 - journal entry testing, with a focus on material manual journals, including those with unusual account combinations and those that reclassified costs from the income statement to the balance sheet;
 - challenging assumptions and judgements made by management in its significant accounting estimates; and
 - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- In addition, we completed audit procedures to conclude on the compliance of disclosures in the report and accounts with applicable financial reporting requirements.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from 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.
- The engagement partner assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations through the following:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation; and
 - knowledge of the industry in which the client operates.

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 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.

DocuSigned by:

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Nicholas Watson BSc ACA (Senior Statutory Auditor)
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
30 Finsbury Square
London
EC2A 1AG

13 March 2024

Merkur Casino Holdings UK Limited

Statement of Comprehensive Income for the Year Ended 31 December 2023

	Notes	2023 £'000	2022 £'000
Turnover		-	-
Exceptional administrative expenses	7	(2,044)	(6,819)
Administrative expenses		<u>(16,637)</u>	<u>(15,678)</u>
		(18,681)	(22,497)
Other operating income	4	<u>18,808</u>	<u>17,258</u>
Operating profit/(loss)	7	127	(5,239)
Non-operating expense	9	<u>(79)</u>	<u>(4,802)</u>
		48	(10,041)
Income from shares in group undertakings	16	35,539	101
Interest receivable and similar income	10	3,266	1,902
Interest payable and similar expenses	11	<u>(5,349)</u>	<u>(3,711)</u>
Profit/(loss) before taxation		33,504	(11,749)
Tax on profit/(loss)	12	<u>237</u>	<u>(7)</u>
Profit/(loss) for the financial year		33,741	(11,756)
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		<u>33,741</u>	<u>(11,756)</u>

The notes on pages 17 to 35 form part of these financial statements

Merkur Casino Holdings UK Limited (Registered number: 07833708)

Statement of Financial Position 31 December 2023

	Notes	£'000	2023 £'000	£'000	2022 £'000
Fixed assets					
Intangible assets	14		38		27
Tangible assets	15		514		282
Investments	16		<u>107,299</u>		<u>87,700</u>
			107,851		88,009
Current assets					
Stocks	17	-		11	
Debtors: amounts falling due within one year	18	1,409		18,295	
Debtors: amounts falling due after more than one year	18	46,000		46,000	
Cash at bank and in hand	19	<u>924</u>		<u>475</u>	
		48,333		64,781	
Creditors					
Amounts falling due within one year	20	<u>(36,607)</u>		<u>(39,327)</u>	
Net current assets			<u>11,726</u>		<u>25,454</u>
Total assets less current liabilities			119,577		113,463
Creditors					
Amounts falling due after more than one year	21		(59,611)		(79,137)
Provisions for liabilities	22		<u>(153)</u>		<u>(254)</u>
Net assets			<u>59,813</u>		<u>34,072</u>
Capital and reserves					
Called up share capital	23		-		-
Capital contribution	24		4,701		4,701
Retained earnings	24		<u>55,112</u>		<u>29,371</u>
Shareholders' funds			<u>59,813</u>		<u>34,072</u>

The financial statements were approved by the Board of Directors and authorised for issue on 13 March 2024 and were signed on its behalf by:

DocuSigned by:

Egemen Coskun

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E Coskun - Director

The notes on pages 17 to 35 form part of these financial statements

Merkur Casino Holdings UK Limited

Statement of Changes in Equity for the Year Ended 31 December 2023

	Called up share capital £'000	Retained earnings £'000	Capital contribution £'000	Total equity £'000
Balance at 1 January 2022	-	41,127	4,701	45,828
Changes in equity				
Deficit for the year	-	(11,756)	-	(11,756)
Total comprehensive loss	-	(11,756)	-	(11,756)
Balance at 31 December 2022	-	29,371	4,701	34,072
Changes in equity				
Profit for the year	-	33,741	-	33,741
Total comprehensive income	-	33,741	-	33,741
Dividends	-	(8,000)	-	(8,000)
Balance at 31 December 2023	-	55,112	4,701	59,813

The notes on pages 17 to 35 form part of these financial statements

Merkur Casino Holdings UK Limited

Notes to the Financial Statements for the Year Ended 31 December 2023

1. Statutory information

Merkur Casino Holdings UK Limited is a private company, limited by shares, registered in England and Wales. The Company's registered number and registered office address can be found on the Company Information page.

The principal activities of the Company are to act as a holding company for Merkur Slots UK Limited, Merkur Technical Support Limited, Merkur Bingo and Casino Entertainment UK Limited, Merkur Casino Entertainment UK Limited and William Clark (Holdings) Limited. William Clark (Holdings) Limited is the holding company for the rest of the Merkur Casino UK Groups' dormant entities.

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

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

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 FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirement of paragraph 3.17(d);
- the requirements of paragraphs 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of paragraphs 12.26, 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirement of paragraph 33.7.

Preparation of consolidated financial statements

The financial statements contain information about Merkur Casino Holdings UK Limited as an individual Company and do not contain consolidated financial information as the parent of a group. The Company is exempt under Section 400 of the Companies Act 2006 from the requirements to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Merkur Casino UK Limited, Second Floor, Matrix House, North Fourth Street, Milton Keynes, MK9 1NJ.

Going concern

The directors have reviewed the Company's and wider MCK Group's budgets and forecasts for the next 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, the directors have prepared the financial statements on the going concern basis.

Merkur Casino Holdings UK Limited

Notes to the Financial Statements – continued for the Year Ended 31 December 2023

2. Accounting policies – continued

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.

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:

Software	- 3 to 5 years
Licences	- 10 years

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.

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:

Plant & Machinery	- 5 years
Motor vehicles	- 4 years
Fixtures & fittings	- 3 to 10 years

Assets under construction are not depreciated.

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 in the Statement of Comprehensive Income.

Investments in subsidiaries

Investments in subsidiary undertakings are recognised at cost less any provision for impairment.

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.

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

Merkur Casino Holdings UK Limited

Notes to the Financial Statements – continued for the Year Ended 31 December 2023

2. Accounting policies – continued

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 and liabilities – 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.

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Merkur Casino Holdings UK Limited

Notes to the Financial Statements – continued for the Year Ended 31 December 2023

2. Accounting policies – continued

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

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 of 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.

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.

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.

Merkur Casino Holdings UK Limited

Notes to the Financial Statements – continued for the Year Ended 31 December 2023

2. Accounting policies – continued

Foreign currencies

Functional and presentation currency

The Company's functional and presentational 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 statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

Borrowing costs

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

Pension costs and other post-retirement benefits

The Group operates two defined contribution plans into which the employees of Merkur Casino Holdings UK Limited are enrolled. 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.

Interest

Interest income and expenses are recognised in the Statement of Comprehensive Income using the effective interest method.

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.

Provisions

Provisions are made where an event has taken place that gives the Company 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 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 made, they are charged to the provision held in the Statement of Financial Position.

Merkur Casino Holdings UK Limited

Notes to the Financial Statements – continued for the Year Ended 31 December 2023

3. Critical accounting judgments 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, tangible fixed assets and provisions.

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

4. Other operating income

	2023 £'000	2022 £'000
Other operating income	18,759	17,202
Intra-group rents received	<u>49</u>	<u>56</u>
	<u>18,808</u>	<u>17,258</u>

Other operating income, in both the current and prior years, is made up of the fees receivable from subsidiaries for management and administration services.

5. Employees and directors

	2023 £'000	2022 £'000
Wages and salaries	7,987	7,848
Social security costs	1,156	1,064
Other pension costs	<u>279</u>	<u>272</u>
	<u>9,422</u>	<u>9,184</u>

Merkur Casino Holdings UK Limited

Notes to the Financial Statements – continued for the Year Ended 31 December 2023

5. Employees and directors – continued

The average number of employees during the year was as follows:

	2023	2022
Management and administration	<u>138</u>	<u>135</u>

6. Directors' emoluments

	2023 £'000	2022 £'000
Directors' emoluments	<u>741</u>	<u>692</u>
	<u>741</u>	<u>692</u>

During the year retirement benefits were accruing to two directors (2022: one) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £380,000 (2022: £347,000).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £23,000 (2022: £20,000).

Merkur Casino Holdings UK Limited

Notes to the Financial Statements – continued for the Year Ended 31 December 2023

7. Operating profit/(loss)

The operating profit / (loss) is stated after charging:

	2023 £'000	2022 £'000
Depreciation of tangible fixed assets – owned	100	61
Amortisation of intangible assets	42	34
Investment impairment (note 16)	79	3,950
Defined contribution pension cost	279	272
Other operating leases	<u>695</u>	<u>661</u>

Exceptional administrative expenses

	2023 £'000	2022 £'000
Impairment of investment in Merkur Technical Support Limited	-	950
Impairment of investment in William Clark (Holdings) Limited	-	3,000
Re-measurement of the carrying value of parent company loan (note 16)	717	2,869
Historic parent company recharge	<u>1,327</u>	<u>-</u>
	<u>2,044</u>	<u>6,819</u>

Re-measurement 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 2022, the interest rate charged on the loan increased from 1% to 3.5%. This resulted in a revision to the estimated cash flows relating to this group loan and a recalculation of the carrying value of the loan. The result of this recalculation was the recognition of a charge to the Statement of Comprehensive Income of £2,869,000.

In 2023, the interest rate charged on the loan increased further to 5.927% and the subsequent change to the cash flows has resulted in a charge to the Statement of Comprehensive Income of £717,000.

Historic parent company recharge

During the year, the Company received staff recharges for stakeholder support from its parent company, Merkur Casino GmbH. The charge included in exceptional administrative expenses is relevant to the period from 2015 to 2022. Current year charges are included in administrative expenses.

8. Auditors' remuneration

	2023 £'000	2022 £'000
Audit fees payable to Company's auditors	<u>244</u>	<u>215</u>

The Company bears the cost of audit fees for other companies in the Merkur Casino UK group. Details of amounts incurred by the Company on behalf of other group companies can be found in the respective financial statements for each company.

The Company bears the cost of non-audit fees for other companies in the MCUK Group. In 2023, fees paid to the auditors in respect of tax services and other non-audit fees amounted to £63,000 (2022: £19,000).

Merkur Casino Holdings UK Limited

Notes to the Financial Statements – continued for the Year Ended 31 December 2023

9. Non-operating expense

	2023 £'000	2022 £'000
Impairment of investment in Merkur Bingo and Casino Entertainment UK Limited (note 16)	79	3,844
Impairment of investment in Merkur Slots UK Limited	-	958
	<u>79</u>	<u>4,802</u>

During the year, the Company paid deferred consideration on VAT refunds from HMRC to previous owners of its subsidiary entities. Deferred consideration, in excess of what was considered in 2022, of £79,000 (2022: £4,802,000) has been treated as an addition to the investment in the subsidiary entities in these financial statements, and also impaired during the year (note 16).

10. Interest receivable and similar income

	2023 £'000	2022 £'000
Interest income	178	20
Interest income – affiliates	<u>3,088</u>	<u>1,882</u>
	<u>3,266</u>	<u>1,902</u>

11. Interest payable and similar expenses

	2023 £'000	2022 £'000
Unwinding of discount on provisions	28	85
Interest payable to Group companies	<u>5,321</u>	<u>3,626</u>
	<u>5,349</u>	<u>3,711</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%. Effective from 1 January 2023, the interest rate on the loan was increased to 5.927%. Consequently, a reduction to the interest charge of £185,000 has been credited to the Statement of Comprehensive Income (2022: additional interest charged of £195,000). Further details are provided in Note 21 to these financial statements.

Merkur Casino Holdings UK Limited

Notes to the Financial Statements – continued for the Year Ended 31 December 2023

12. Taxation

	2023 £'000	2022 £'000
Corporation tax		
Current tax (credit) on profit for the year	(338)	-
Total current tax	(338)	-
Deferred tax		
Origination and reversal of timing differences	125	39
Arising on rate change	(11)	(25)
Adjustments in respect of prior periods	(13)	(7)
Total deferred tax	101	7
Total tax (credit) / charge	(237)	7

Factors affecting the tax charge for the year

The tax assessed for the year is lower than (2022: higher than) the standard rate of corporation tax in the UK of 23.50% (2022: 19.00%). The differences are explained below:

	2023 £'000	2022 £'000
Profit / (loss) on ordinary activities before tax	33,504	(11,749)
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 23.50% (2022: 19.00%)	7,873	(2,232)
Effects of:		
Expenses not deductible for tax purposes	240	2,290
Group income not taxable	(8,352)	(19)
Deferred tax asset not recognised	15	-
Other timing differences	-	(25)
Adjustments in respect of prior periods	(13)	(7)
	(237)	7

Factors that may affect future tax charges

At the year end, a deferred tax asset of £147,000 (2022: £248,000) has been recognised in the financial statements of the Company. At the reporting date the Company had unutilised tax losses of £nil (2022: £475,000) available for offset against future taxable profits of the Merkur.com AG (formerly Gauselmann AG) Group. Details of the deferred tax asset is shown in note 18 to these financial statements.

Changes in tax legislation

Under the Finance Act 2021 the rate of Corporation Tax increased from 19% to 25% from 1 April 2023. For the financial year ended 31 December 2023, the weighted average tax rate was 23.5%. Deferred tax has been measured using the tax rates applicable at the date any timing differences are expected to unwind.

Merkur Casino Holdings UK Limited

Notes to the Financial Statements - continued for the Year Ended 31 December 2023

13. Dividends

	2023 £'000	2022 £'000
Ordinary shares of £1		
Interim	<u>8,000</u>	<u>-</u>

14. Intangible fixed assets

	Software £'000	Licences £'000	Total £'000
Cost			
At 1 January 2023	336	3	339
Disposals	(242)	(3)	(245)
Transfers	<u>54</u>	<u>-</u>	<u>54</u>
At 31 December 2023	<u>148</u>	<u>-</u>	<u>148</u>
Amortisation			
At 1 January 2023	310	2	312
Charge for the year	42	-	42
Disposals	<u>(242)</u>	<u>(2)</u>	<u>(244)</u>
At 31 December 2023	<u>110</u>	<u>-</u>	<u>110</u>
Net Book Value			
At 31 December 2023	<u>38</u>	<u>-</u>	<u>38</u>
At 31 December 2022	<u>26</u>	<u>1</u>	<u>27</u>

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

Merkur Casino Holdings UK Limited

Notes to the Financial Statements – continued for the Year Ended 31 December 2023

15. Tangible fixed assets

	Plant & machinery £'000	Motor vehicles £'000	Fixtures & fittings £'000	Assets under construction £'000	Total £'000
Cost					
At 1 January 2023	18	1	858	62	939
Additions	-	-	88	307	395
Disposals	(18)	-	(365)	(8)	(391)
Transfers	-	-	-	(54)	(54)
At 31 December 2023	-	1	581	307	889
Amortisation					
At 1 January 2023	18	1	638	-	657
Charge for the year	-	-	100	-	100
Disposals	(18)	-	(364)	-	(382)
At 31 December 2023	-	1	374	-	375
Net book value					
At 31 December 2023	-	-	207	307	514
At 31 December 2022	-	-	220	62	282

Merkur Casino Holdings UK Limited

Notes to the Financial Statements – continued for the Year Ended 31 December 2023

16. Fixed asset investments

	2023 £'000
Cost or valuation	
At 1 January 2023	112,366
Additions	<u>37,370</u>
At 31 December 2023	149,736
Impairment	
At 1 January 2023	24,666
Charge for the year	<u>17,771</u>
At 31 December 2023	42,437
Net book value	
At 31 December 2023	<u>107,299</u>
At 31 December 2022	<u>87,700</u>

During the year, the following changes to the value of investments took place:

Reorganisation

As part of a wider group reorganisation, the directors reviewed the investments held in the subsidiary entities of the Company. At 1 January 2023, Mayfair Acquisitionco Limited ("MAQ") held an investment of £19,599,000 in its subsidiary Thomas Holdings Limited ("THL"). The investment represents the trade and assets of Merkur Bingo and Casino Entertainment UK Limited ("MBL") which had not been transferred to Merkur Casino Holdings UK Limited ("MCH") when the trade and assets of MBL were hived up in 2014. A dividend in specie to transfer the investment to Merkur Casino Holdings UK Limited was declared by MAQ in 2023, and this has been recognised in these financial statements as an addition of £37,291,000 with associated historic impairment of £17,692,000.

VAT Claims

Merkur Bingo and Casino Entertainment UK Limited ("MBL"), a subsidiary undertaking, recognised £124,000 of VAT Claim interest from HMRC during the year (Rank II VAT claims). The additional interest related to a claim that was accrued in the financial statements in 2022. The VAT refunds related to VAT paid on Gaming Machines for the period 2003 to 2012, with amounts received for the periods to 30 September 2012, after the deduction of professional fees and corporation tax, being beneficially owned by previous owners of MBL.

Payments have been made by the Company, to the previous owners of MBL regarding the net VAT interest refund due. At 31 December £79,000 has been paid by the Company to the previous owners of MBL. The amounts due to the previous owners has been treated as deferred consideration on the acquisition of MBL and recognised as an increase in the cost of investment in MBL. At 31 December, the Company reviewed the cost of investment in MBL and, as a result, an impairment of £79,000 was recognised.

Merkur Casino Holdings UK Limited

Notes to the Financial Statements – continued for the Year Ended 31 December 2023

16. Fixed asset investments (continued)

Subsidiary undertakings

The following are subsidiary undertakings of the Company:

Name	Shares	Holding	Principal Activity
Merkur Slots UK Limited	Ordinary	100%	Adult gaming centre operator
Merkur Bingo and Casino Entertainment UK Limited	Ordinary	100%	Bingo club operator
Merkur Casino Entertainment UK Limited	Ordinary	100%	Non-trading company
Merkur Technical Support Limited	Ordinary	100%	Maintenance services company
William Clark (Holdings) Limited	Ordinary	100%	Intermediate holding company
Baleday Limited*	Ordinary	100%	Non-trading 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
Mayfair Acquisitionco Limited*	Ordinary	100%	Non-trading company
William Clark Limited*	Ordinary	100%	Non-trading company
Dolphin Gaming Limited*	Ordinary	100%	Non-trading company
Mirage Centres Limited*	Ordinary	100%	Non-trading company
Merkur Technical Support UK Limited*	Ordinary	100%	Non-trading company

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

On 2 May 2023, Merkur Casino Entertainment UK Limited was incorporated. The Company subscribed to 1 ordinary share in this company. Merkur Casino Entertainment UK Limited started trading on 1 January 2024.

During the year, as part of a wider group reorganisation, the investments in Baleday Limited, Cashino Gaming (E&J) Limited, Mayfair Acquisitionco Limited and Mirage Centres Limited were transferred to William Clark (Holdings) Limited. William Clark (Holdings) Limited is now the holding company for all non-trading entities in the UK group.

Dividends

During the year, the Company received dividends of £15,000,000 from Merkur Bingo and Casino Entertainment UK Limited, £929,000 from Mirage Centres Limited and £11,000 from William Clark (Holdings) Limited (2022: £101,000 from Baleday Limited and Cashino (E&J) Limited). The Company also received a dividend in specie of £19,599,000 from Merkur Acquisitionco Limited (2022: £nil).

17. Stocks

	2023 £'000	2022 £'000
Stocks	-	11

18. Debtors

	2023 £'000	2022 £'000
Amounts falling due within one year:		
Amounts owed by group undertakings	559	17,393
Other debtors	153	195
Deferred tax asset	147	248
Prepayments and accrued income	550	459
	<u>1,409</u>	<u>18,295</u>
Amounts falling due after more than one year:		
Amounts owed by group undertakings	46,000	46,000
Aggregate amounts	<u>47,409</u>	<u>64,295</u>

Merkur Casino Holdings UK Limited

Notes to the Financial Statements - continued for the Year Ended 31 December 2023

18. Debtors - continued

The amounts owed by Group undertakings are unsecured at an interest rate of 6.25% (2022: 3.5%). All have no fixed terms for repayment, and interest is rolled-up into the total loan balance.

Deferred tax

	2023 £'000	2022 £'000
At 1 January	248	255
Charged to profit or loss	(101)	(7)
At 31 December	147	248

The deferred tax asset is made up as follows:

Accelerated capital allowances	81	107
Tax losses	-	112
Other timing differences	66	29
	147	248

19. Cash at bank and in hand

	2023 £'000	2022 £'000
Cash at bank and in hand	924	475

20. Creditors: amounts falling due within one year

	2023 £'000	2022 £'000
Trade creditors	373	520
Amounts owed to group undertakings	32,861	31,248
Social security and other taxes	604	365
Other creditors	55	2,756
Finance leases	186	2,216
Accruals and deferred income	2,528	2,222
	36,607	39,327

The amounts owed to Group undertakings are unsecured at an interest rate of 6.25% (2022: 3.5%). They have no fixed terms for repayment, and interest is rolled-up into the loan balance.

Merkur Casino Holdings UK Limited

Notes to the Financial Statements – continued for the Year Ended 31 December 2023

21. Creditors: amounts falling due after more than one year

	2023 £'000	2022 £'000
Amounts owed to group undertakings	59,611	79,079
Net obligations under finance leases	-	58
	<u>59,611</u>	<u>79,137</u>

Amounts owed to group undertakings represents the loan from Merkur Casino GmbH. Analysis of the maturity of loans is given below:

	2023 £'000	2022 £'000
Amounts falling due within one year		
Loan from Merkur Casino GmbH	12,800	12,000
Amounts falling due 2 – 5 years		
Loan from Merkur Casino GmbH	<u>59,611</u>	<u>79,079</u>
	<u>72,411</u>	<u>91,079</u>

All loans from the intermediate parent undertaking are unsecured.

In 2017, Merkur Casino GmbH re-denominated a long-term Euro loan into Sterling at a value of £48,027,000. The loan had an interest rate of 1% on inception of the loan, which was 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 was considered to be the market rate, was £43,326,000. The difference arising on initial recognition of the loan amounting to £4,701,000 has been recognised within equity as a capital contribution.

During the year to 31 December 2023, the Company made principal repayments of £19.2m (2022: £nil) on the above loan.

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. In 2023, the interest rate on the loan from the intermediate parent company increased from 3.5% to 5.927%, therefore changing the cashflows. A recalculation of the carrying value of the loan resulted in the recognition of a charge to the Statement of Comprehensive Income of £717,000 (2022: credit of £2,869,000).

A reduction to interest charges has 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 5.927% (2022: additional interest charges based on the actual interest rate of 3.5%). The interest reduction was £185,000 (2022: additional interest of £195,000).

All loans from Merkur Casino GmbH are measured at amortised cost and, effective 1 January 2023, interest is charged at 5.927% on all loans.

Merkur Casino Holdings UK Limited

Notes to the Financial Statements - continued for the Year Ended 31 December 2023

22. Provisions for liabilities

	Dilapidation provision £'000	Total £'000
At 1 January 2023	254	254
Additions	9	9
Released	(110)	(110)
At 31 December 2023	153	153

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 2023. The provision is expected to be utilised at various dates up to October 2024.

During the year, the directors re-assessed the level of the provision held and released £110,000 as a result of this assessment.

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

23. Called up share capital

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2023 £	2022 £
1	Ordinary	£1	<u>1</u>	<u>1</u>

24. Reserves

	Retained earnings £'000	Capital contribution £'000	Totals £'000
At 1 January 2023	29,371	4,701	34,072
Profit for the year	33,741	-	33,741
Dividends	(8,000)	-	(8,000)
At 31 December 2023	55,112	4,701	59,813

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 re-denomination 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 21.

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

Merkur Casino Holdings UK Limited

Notes to the Financial Statements – continued for the Year Ended 31 December 2023

25. Pension commitments

The Group operates two defined contribution pension schemes into which the employees of Merkur Casino Holdings UK Limited are enrolled. The pension charge for the year represents contributions payable by the Company to the funds and amounted to £279,000 (2022: £272,000). At the end of the year there were employer and employee contributions outstanding of £54,000 (2022: £50,000).

26. Commitments under operating leases

At 31 December 2023, the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2023 £'000	2022 £'000
Not later than 1 year	388	391
Later than 1 year and not later than 5 years	645	315
Later than 5 years	680	-
	<u>1,713</u>	<u>706</u>

The increase in operating lease commitments at 31 December 2023 is a result of a new lease being signed and the Head Office being relocated to new premises in January 2024.

27. Related party disclosures

The Company is a wholly owned subsidiary of Merkur Casino UK Limited ("MCUK") and is included in the consolidated financial statements of that company. Consequently, the Company has taken advantage of the exemption, under the terms of FRS 102 Section 33 Related Party Disclosures, from disclosing related party transactions with wholly owned entities that are part of the MCUK Group.

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

28. Post balance sheet events

On 1 January 2024, the trade and assets relating to the Group's casino operation was transferred between subsidiaries within the Group, moving from Merkur Bingo and Casino Entertainment UK Limited to Merkur Casino Entertainment UK Limited.

29. Ultimate controlling party

As at 31 December 2023, the immediate parent undertaking was Merkur Casino UK Limited, an intermediate holding company.

The immediate parent of Merkur Casino UK Limited 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, Second Floor, Matrix House, North Fourth Street, Milton Keynes, MK9 1NJ.

On 1 January 2024, Gauselmann AG, a company registered in Germany and the ultimate controlling party of the Company, changed its name to Merkur.com AG. Merkur.com AG is the largest group in which the results of the Company are consolidated.