

Praesepe Holdings Limited

Registered number: 07833708

Directors' report and financial statements

For the year ended 31 December 2016

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PRAESEPE HOLDINGS LIMITED

COMPANY INFORMATION

Directors	N S Harding A J Hall
Company secretary	EMW Secretaries Limited
Registered number	07833708
Registered office	Seebeck House 1A Seebeck Place Knowlhill Milton Keynes Buckinghamshire MK5 8FR
Independent auditor	Mazars LLP Chartered Accountants & Statutory Auditor The Pinnacle 160 Midsummer Boulevard Milton Keynes MK9 1FF

PRAESEPE HOLDINGS LIMITED

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PRAESEPE HOLDINGS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

Introduction

The Directors present their strategic report for Praesepe Holdings Limited (the Company) for the year ended 31 December 2016.

Business review

The Company's principal activities are to act as a holding company for Praesepe On-line Limited, Cashino Gaming Limited, Baleday Limited, William Clark (Holdings) Limited and Beacon Bingo Limited. These 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.

During the year Praesepe On-line Limited ceased trading. It is the intention of the Directors to put Praesepe On-line Limited into liquidation during the next 12 months.

In July 2016, the Company purchased a 25 venue Adult Gaming Centre Group, William Clark (Holdings) Limited and its subsidiary William Clark Limited. Further details about this acquisition can be found in note 27 of 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.

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.

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.

Operating loss (including exceptional items) for the year increased to £1.7m (2015: Operating loss of £0.24m).

Creditor days for the Group were 24 for the year (2015: 23 days).

Financial position at the reporting date

The statement of financial position shows that the Company's net assets at the year end decrease from £41.3m to £38.6m.

PRAESEPE HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

Development and financial performance during the year

The year saw another improvement in performance over the previous year and the Group was well placed to capitalise on the increased investment activity over the last three years. The UK economy and consumer spending continued to improve and the Group's substantial investment in the Ticket in Ticket out (TITO) technology throughout its trading subsidiaries has been well received.

TITO roll out will continue over the next year, with all new non Legacy machines gradually being converted. TITO provides a much cleaner and better customer service and combined with a new Machines and Administration Reporting System (MARS) will enable us to focus machines and people in the right place at the right time.

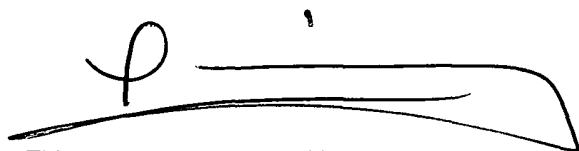
During 2016 the Group acquired Town & County Leisure Ltd (TCL). TCL was acquired not only to obtain a profitable business but to bring our machine servicing in-house. In addition to providing machine servicing and logistics TCL operated a machines rental business to the pub sector. The rental of machines to the pub sector is not core trading for the Group but is for our sister company, Regal Amusement Machine Sales Limited so that part of TCL's business was sold on to Regal shortly after acquisition.

A significant acquisition was made in the year, 25 arcades (23 with tanning) based in Hull and the North East, a geographical gap in the estate. The sites have been re-branded and new machines installed to bring them in line with the Cashino standards.

The Group ended the year with 175 venues, 167 Cashino arcades and 8 Bingo Clubs.

Post year-end a further 7 arcades were acquired, based mainly in the Midlands region. Operations are being reviewed including opening hours and machine mix with re-branding taking place in due course.

The foundations are now in place for the Company and the Group to grow further into the future.



This report was approved by the board on

22 MAR 2017

and signed on its behalf.

N S Harding
Director

PRAESEPE HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The Directors present their report and the financial statements for the year ended 31 December 2016.

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 the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including 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 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.

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.

Results and dividends

The loss for the year, after taxation, amounted to £2,670,000 (2015: profit £6,811,000).

The Directors do not recommend the payment of a dividend (2015: £nil).

Directors

The Directors who served during the year were:

N S Harding
A J Hall

PRAESEPE HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

Charitable and political donations

The Company made charitable donations during the year of £186,000 (2015: £160,000).

During the year the Company made no political donations (2015: £Nil).

Liquidity risk

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

Interest rate risk

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

Foreign currency risk

The Group's principal foreign currency exposures arise from transactions with its German parent. The Group believes the materiality of these transactions do not warrant hedging of foreign currency risks.

Credit risk

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

Future developments

The Directors do not expect any material differences going forward.

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 2.2 in the financial statements.

PRAESEPE HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

Employee consultation

The company 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, a bi-annual company magazine and an internal platform allowing open exchange of comments, news, ideas and suggestions via a cloud based website 'Think Tank'.

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 includes the ongoing support of the gaming industry's charity CHIPs (Children's Happiness Involves People) to which the Group have contributed over £0.5m in the past few years by way of local and national fundraising activities and charitable donations.

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 Group. Employees who become disabled are retained in their existing posts where possible or retrained for suitable alternative posts.

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.

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. These matters relate to future developments.

Disclosure of information to auditor

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

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

PRAESEPE HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2016

Post balance sheet events

On 20 January 2017 the Company acquired the entire share capital of Mirage Centres Limited, a company operating 7 Adult Gaming venues predominantly in the Midlands.

Auditor

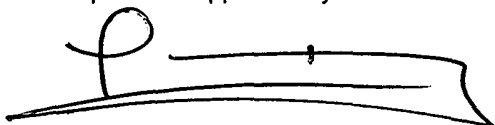
The auditor, Mazars LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

In preparing this report, the directors have taken advantage of the small companies exemption provided by section 415A of the Companies Act 2006.

This report was approved by the board on

22 MAR 2017

and signed on its behalf.

A handwritten signature in black ink, appearing to be 'N S Harding', written over a horizontal line.

**N S Harding
Director**

PRAESEPE HOLDINGS LIMITED

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

We have audited the financial statements of Praesepe Holdings Limited for the year ended 31 December 2016 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'Reduced Disclosure Framework' "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

Respective responsibilities of Directors and auditor

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.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. 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.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 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.

Opinion on the other matter 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

PRAESEPE HOLDINGS LIMITED

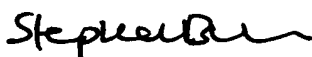
INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF PRAESEPE HOLDINGS LIMITED

Matters on which we are required to report by exception

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

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

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



Stephen Brown (Senior Statutory Auditor)

for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

The Pinnacle
160 Midsummer Boulevard
Milton Keynes
MK9 1FF

Date: 24 March 2017

PRAESEPE HOLDINGS LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 £000	2015 £000
Administrative expenses		(8,245)	(6,407)
Exceptional administrative expenses	12	(1,746)	-
Other operating income	4	8,259	6,165
Operating loss		(1,732)	(242)
Income from shares in group companies		500	7,000
Interest receivable and similar income	9	256	577
Interest payable and similar charges	10	(1,683)	(501)
(Loss)/profit on ordinary activities before taxation		(2,659)	6,834
Taxation on (loss)/profit on ordinary activities	11	(11)	(23)
(Loss)/profit for the financial year		(2,670)	6,811
Total comprehensive income for the year		(2,670)	6,811

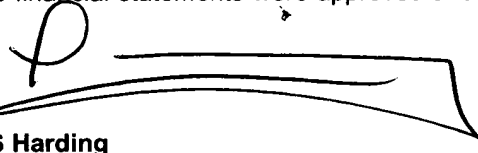
The notes on pages 12 to 32 form part of these financial statements.

PRAESEPE HOLDINGS LIMITED
REGISTERED NUMBER: 07833708

BALANCE SHEET
AS AT 31 DECEMBER 2016

	Note	2016 £000	2015 £000
Fixed assets			
Intangible assets	13	238	217
Tangible assets	14	1,184	1,155
Investments	15	59,995	25,208
		<u>61,417</u>	<u>26,580</u>
Current assets			
Debtors: Amounts falling due within one year	16	23,616	24,964
Cash at bank and in hand	17	-	92
		<u>23,616</u>	<u>25,056</u>
Creditors: Amounts falling due within one year	18	(8,220)	(10,143)
Net current assets		<u>15,396</u>	<u>14,913</u>
Total assets less current liabilities		<u>76,813</u>	<u>41,493</u>
Creditors: Amounts falling due after more than one year	19	(38,170)	(224)
Provisions for liabilities			
Other provisions	22	(44)	-
		<u>(44)</u>	<u>-</u>
Net assets		<u><u>38,599</u></u>	<u><u>41,269</u></u>
Capital and reserves			
Called up share capital	24	-	-
Profit and loss account	23	38,599	41,269
		<u>38,599</u>	<u>41,269</u>

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


N S Harding

Director

The notes on pages 12 to 32 form part of these financial statements.

22 MAR 2017

PRAESEPE HOLDINGS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 January 2016	-	41,269	41,269
Comprehensive income for the year			
Loss for the year	-	(2,670)	(2,670)
Total comprehensive income for the year	-	(2,670)	(2,670)
At 31 December 2016	-	38,599	38,599

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

	Called up share capital	Profit and loss account	Total equity
	£000	£000	£000
At 1 January 2015	-	34,458	34,458
Comprehensive income for the year			
Profit for the year	-	6,811	6,811
Total comprehensive income for the year	-	6,811	6,811
At 31 December 2015	-	41,269	41,269

The notes on pages 12 to 32 form part of these financial statements.

WOS HAM & S

PRAESEPE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies

1.1 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 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. 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, Praesepe On-Line Limited, Baleday Limited, Praesepe Limited, Beacon Bingo Limited and William Clark (Holdings) Limited.

In June 2016 Praesepe On-Line Limited ceased trading, and in July 2015, the Company purchased the entire share capital of William Clark (Holdings) Limited, together with its trading subsidiary William Clark Limited. The acquisition of the William Clark Group increased the number of AGC's operated by the Group by 25.

The financial statements are presented in Sterling, which is also the functional currency of the Company.

2.1 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.

This information is included in the consolidated financial statements of Merkur Casino UK Limited as at 31 December 2016 and these financial statements may be obtained from Seebeck House, 1A Seebeck Place, Knowlhill, Milton Keynes, MK5 8FR.

PRAESEPE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies (continued)

2.2 Going Concern

After reviewing the Company's and wider Group's budgets and forecasts for the next 12 months from the date of the 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.

2.3 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

2.4 Revenue

Revenue 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. Revenue 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.

PRAESEPE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies (continued)

2.5 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 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:

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 balance sheet 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.

2.6 Investments

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

2.7 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 2016

1. Accounting policies (continued)

2.8 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the 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.

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

2.9 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 Casino Merkur Spielothek, 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.

2.10 Interest Income

Finance 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 2016

1. Accounting policies (continued)

2.11 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 and loans and borrowings

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.

PRAESEPE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies (continued)

2.12 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'.

2.13 Borrowing costs

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

2.14 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 balance sheet 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.

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.

PRAESEPE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies (continued)

2.15 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.

2.16 Pensions

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

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

2.17 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.

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 Balance Sheet date 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 Balance Sheet.

PRAESEPE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting policies (continued)

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 (2.3), tangible fixed assets (2.5) and provisions (2.17).

Revision to an accounting estimate

During the prior year a detailed review of the previous estimates regarding the useful life of certain intangible and tangible fixed assets was carried out.

The review considered the past experience of technical obsolescence of individual assets, the speed of technological change and industry comparatives. The result of the review was that the useful life of the following asset sub-categories was revised:

	Original Life	Revised Life
Software	10 years	3 to 5 years
Computer Equipment	10 years	3 to 5 years
Amusement machines	4 years	5 years

4. Other operating income

	2016 £000	2015 £000
Machine rental	483	-
Rents receivable from other group companies	435	363
Sundry income	111	3
Fees receivable	7,230	5,799
	<u>8,259</u>	<u>6,165</u>

PRAESEPE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

5. Operating loss

The operating loss is stated after charging:

	2016 £000	2015 £000
Loss on disposal of intangibles	31	-
Depreciation of tangible fixed assets - owned	182	144
Depreciation of tangible fixed assets - held under finance leases	288	288
Amortisation of intangible assets	72	77
Defined contribution pension cost	122	171
Other operating leases	648	591
	<u> </u>	<u> </u>

6. Auditor's remuneration

	2016 £000	2015 £000
Fees payable to the Group's auditor and its associates for the audit of the Group's annual accounts	93	77
	<u> </u>	<u> </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 2016, then the audit fee for the Company would have been £10,000 (2015: £10,000).

Fees paid to the auditors in respect of non-audit fees amounted to £112,000 (2015: £32,000).

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 2016

7. Employees

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

	2016 £000	2015 £000
Wages and salaries	3,969	2,917
Social security costs	315	306
Pension costs	122	171
	<u>4,406</u>	<u>3,394</u>

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

	Number	Number
Management and administration	<u>62</u>	<u>73</u>

8. Directors' remuneration

	2016 £000	2015 £000
Directors' emoluments	786	610
Company contributions to defined contribution pension schemes	5	72
	<u>791</u>	<u>682</u>

During the year retirement benefits were accruing to one Director (2015: two) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £507,000 (2015: £415,000).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £5,000 (2015: £49,000).

PRAESEPE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

9. Interest receivable

	2016 £000	2015 £000
Interest receivable from group companies	247	577
Bank interest receivable	9	-
	<u>256</u>	<u>577</u>

10. Interest payable and similar charges

	2016 £000	2015 £000
Other loan interest payable	5	-
Loans from group undertakings	249	315
Foreign exchange loss on translation of loan	1,290	85
Finance leases and hire purchase contracts	138	100
Other interest	1	1
	<u>1,683</u>	<u>501</u>

11. Taxation

	2016 £000	2015 £000
Corporation tax		
Current tax on profits in the year	11	-
Adjustments in respect of previous periods	-	23
	<u>11</u>	<u>23</u>
Total current tax	<u>11</u>	<u>23</u>

PRAESEPE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2015: lower than) the standard rate of corporation tax in the UK of 20% (2015: 20.25%). The differences are explained below:

	2016 £000	2015 £000
(Loss) / Profit on ordinary activities before tax	(2,659)	6,834
(Loss) / Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015: 20.25%)	(532)	1,384
Effects of:		
Expenses not deductible for tax purposes	353	74
Capital allowances for year in excess of depreciation	29	32
Utilisation of tax losses	(120)	(54)
Group income not taxable	-	(1,418)
Other differences leading to a decrease in the tax charge	-	(18)
Adjustment in respect of prior periods	-	23
Group relief	281	-
Total tax charge for the year	11	23

Factors that may affect future tax charges

At the balance sheet date the Company had unutilised tax losses of £nil (2015: £328,000) available for offset against future taxable profits of the Company. A deferred tax asset has not been recognised in relation to these losses.

Changes in tax legislation

Under the Finance (no 2) Act 2015, the rate of Corporation tax will be reduced from 20% to 19% from April 2017. In addition, under the Finance Act 2016, which was enacted on 15 September 2016 the rate of Corporation tax is further reduced to 17% from 1 April 2020.

The rate used to calculate deferred tax has been updated to reflect these changes.

PRAESEPE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

12. Exceptional items

	2016 £000	2015 £000
Write off of Praesepe On-line Limited intercompany loan	1,291	-
Closed unit costs	(45)	-
Impairment of investments	500	-
	<u>1,746</u>	<u>-</u>

Closed unit costs are the costs incurred regarding the closure of individual venues. This includes the anticipated onerous lease costs on sites that were closed during the period, based on ongoing costs arising and expected sub-let potential where appropriate.

13. Intangible assets

	Software £000	Lease premiums £000	Licences £000	Total £000
Cost				
At 1 January 2016	305	6	3	314
Additions	130	-	-	130
Disposals	(104)	-	(3)	(107)
At 31 December 2016	<u>331</u>	<u>6</u>	<u>-</u>	<u>337</u>
Amortisation				
At 1 January 2016	97	-	-	97
Charge for the year	72	-	-	72
On disposals	(70)	-	-	(70)
At 31 December 2016	<u>99</u>	<u>-</u>	<u>-</u>	<u>99</u>
Net book value				
At 31 December 2016	<u>232</u>	<u>6</u>	<u>-</u>	<u>238</u>
At 31 December 2015	<u>208</u>	<u>6</u>	<u>3</u>	<u>217</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 2016

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 2016	12	1,650	5	471	2,138
Additions	7	29	-	463	499
Disposals	-	-	-	(97)	(97)
At 31 December 2016	19	1,679	5	837	2,540
Depreciation					
At 1 January 2016	1	817	1	164	983
Charge for the period	2	331	1	136	470
Disposals	-	-	-	(97)	(97)
At 31 December 2016	3	1,148	2	203	1,356
Net book value					
At 31 December 2016	16	531	3	634	1,184
At 31 December 2015	11	833	4	307	1,155

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

	2016 £000	2015 £000
Plant and machinery	420	708
	420	708

PRAESEPE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

15. Fixed asset investments

	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2016	25,208
Additions	35,287
At 31 December 2016	<u>60,495</u>
Impairment	
Charge for the period	<u>500</u>
At 31 December 2016	<u>500</u>
Net book value	
At 31 December 2016	<u>59,995</u>
At 31 December 2015	<u>25,208</u>

PRAESEPE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

15. Fixed asset investments (continued)

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 On-Line Limited	Ordinary	100 %	Non-trading company
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
Merkur Engineering Limited*	Ordinary	100 %	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 except for Praesepe On-Line Limited which is incorporated in the Isle of Man.

Acquisition

On 22 July 2016, the Group acquired 100% of the issued share capital of the William Clark (Holdings) Limited Group, which includes William Clark Limited, for £34.7m (including fees).

Further details on the acquisition of William Clark (Holdings) Limited can be found in the consolidated financial statements of Merkur Casino UK Limited.

PRAESEPE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

16. Debtors

	2016 £000	2015 £000
Due within one year		
Trade debtors	50	-
Amounts owed by group undertakings	22,728	24,486
Other debtors	539	57
Prepayments and accrued income	299	421
	<u>23,616</u>	<u>24,964</u>

The amounts owed by group undertakings are unsecured at an interest rate of 1.25% (2015: 3.25%), which is estimated to be a market rate and have no fixed terms for repayment. Interest is rolled up into the loan balance.

17. Cash and cash equivalents

	2016 £000	2015 £000
Cash at bank and in hand	-	92
Less: bank overdrafts	(287)	-
	<u>(287)</u>	<u>92</u>

PRAESEPE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

18. Creditors: Amounts falling due within one year

	2016 £000	2015 £000
Bank overdrafts	287	-
Loan from ultimate parent undertaking (note 20)	6,010	7,747
Trade creditors	346	408
Amounts owed to group undertakings	115	782
Taxation and social security	91	-
Obligations under finance lease and hire purchase contracts	271	601
Other creditors	67	92
Accruals and deferred income	1,033	513
	<u>8,220</u>	<u>10,143</u>

The amounts owed to group undertakings are unsecured at an interest rate of 1.25% (2015: 3.25%), which is estimated to be a market rate and have no fixed terms for repayment. Interest is rolled up into the loan balance.

The overdraft is secured by a cross company guarantee with Beacon Bingo Limited and Cashino Gaming Limited.

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

	2016 £000	2015 £000
Loan from ultimate parent undertaking (note 20)	38,026	-
Net obligations under finance leases and hire purchase contracts	144	224
	<u>38,170</u>	<u>224</u>

The Obligations under finance leases due after more than 1 year are split £139,000 (2015: £179,000) due between one and two years, and £5,000 (2015: £45,000) due between two and five years.

PRAESEPE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

20. Loans

Analysis of the maturity of loans is given below:

	2016 £000	2015 £000
Amounts falling due within one year		
Loan from ultimate parent company	6,010	7,747
Amounts falling due 2-5 years		
Loan from ultimate parent company	18,026	-
Amounts falling due after more than 5 years		
Loan from ultimate parent company	20,000	-
	<u>44,036</u>	<u>7,747</u>

21. Deferred taxation

A deferred tax asset of £107,000, stated at 17%, (2015: £122,000 stated at 18%) 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 £104,000 (2015: £61,000), trade losses of £nil (2015: £59,000) and other timing differences of £3,000 (2015: £2,000).

22 Provisions

	Provisions £000
Transferred from group companies	89
Utilised in year	(45)
At 31 December 2016	<u>44</u>

A provision was recognised in the financial statements in relation to property costs, relating to closed sites and onerous leasehold costs; and for redundancy costs.

PRAESEPE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

23. Reserves

Capital redemption reserve

The capital redemption reserve represented a capital contribution made by the former shareholder of the Company prior to its acquisition in October 2012 by Merkur Casino UK Limited.

The reserve was transferred to the profit and loss reserve in 2014.

Profit & loss account

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

24. Share capital

	2016 £	2015 £
Shares classified as equity		
Authorised, allotted, called up and fully paid		
1 Ordinary share of £1	1	1

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

25. Pension commitments

The Group operates two defined contribution pension schemes. The pension charge for the year represents contributions payable by the Company to the funds and amounted to £122,000 (2015: £171,000). At the end of the year there were no contributions outstanding (2015: £nil).

26. Commitments under operating leases

At 31 December 2016 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2016 £000	2015 £000
Not later than 1 year	257	183
Later than 1 year and not later than 5 years	813	701
Later than 5 years	429	625
Total	1,499	1,509

PRAESEPE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

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.

As at 31 December 2016, £44,036,000 (2015: £8,772,000) was owed to Casino Merkur Spielothek GmbH, the parent company of Merkur Casino UK Limited.

In July 2016 a Sterling loan of £34,000,000 (2015: Euro loan of £8,772,000) was obtained. No repayments were made during the year (2015: repayments of £1,110,000). Interest accrued on the loan balances at 1% per annum (2015: 3% per annum) and amounted to £247,000 (2015: £214,000).

At 31 December 2016, the indebtedness of £44,036,000 comprises a Euro denominated loan of £9,036,000 and a Sterling denominated loan of £34,000,000. The Euro denominated loan includes a foreign exchange loss of £1,290,000 (2015: £85,000) on translation of the loan at the year end exchange rate. This was charged to the Statement of Comprehensive Income in the year.

28. Post balance sheet events

On 20th January 2017, the Company purchased the entire issued share capital of Mirage Centres Limited ("MCL") for consideration of £9,200,000 excluding fees. MCL operates 7 adult gaming centres, mainly in the Midlands region.

29. Controlling party

As at 31 December 2016 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 Casino Merkur Spielothek 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, Knowhill, Milton Keynes, MK5 8FR.

The immediate parent and ultimate controlling party of Merkur Casino UK Limited is Casino Merkur Spielothek GmbH, a Company registered in Germany.