

Praesepe Holdings Limited

Annual Report and Financial Statements

For the year ended 31 December 2018



PRAESEPE HOLDINGS LIMITED

COMPANY INFORMATION

Directors	B Längen (appointed 28 June 2018) S Bruns (appointed 28 June 2018)
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Company secretary	EMW Secretaries Limited
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Registered number	07833708
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Registered office	Seebeck House 1A Seebeck Place Knowhill Milton Keynes Buckinghamshire MK5 8FR
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Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 30 Finsbury Square London EC2A 1AG
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PRAESEPE HOLDINGS LIMITED

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PRAESEPE HOLDINGS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

Introduction

The Directors presents the strategic report for Praesepe Holdings Limited (the Company) for the year ended 31 December 2018.

Business review

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

A list of all companies in the Praesepe Holdings Group ("Group") is shown in note 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 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.

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

Financial key performance indicators

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

The Operating result (including exceptional items) for the year decreased to £0.1m (2017: Operating profit of £0.5m).

Creditor days for the Company were 33 for the year (2017: 35 days).

Financial position at the reporting date

The statement of financial position shows that the Company's net assets at the year-end reduced by £1.8m, from £43.2m to £41.5m predominantly as a result of an exceptional charge of £0.7m (2017: £0.3m) (note 13) and a £1.2m increase relating to interest payable (note 11).

Prior year adjustment

The Company's net assets for 2017 have been restated to the recognise a capital contribution of £4.7m relating to the loan from the ultimate parent company, which reflects the present value of the loan at the market interest rate, at the date of modification and redenomination to GBP from Euros. Further details are provided in note 4 and note 21 to these financial statements.

PRAESEPE HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

Development and financial performance during the year

In 2018 the Company directors focused on improving the profitability of the Adult Gaming Centre ('AGC') and Bingo club estate, and put in place plans to close operations where a profit cannot be achieved. Machine mix and operating hours were regularly reviewed with a view to maximising revenue.

In May 2018, following a review by the Gambling Commission on the maximum stake for Fixed Odds Betting Terminals (FOBTs), the government announced that it will cut the maximum stake for FOBTs from £100 to just £2. This change in legislation is expected to come into force in April 2019 and have a positive impact on the revenues of the Company's subsidiaries. It will enable them to compete directly with Licenced Betting Offices (LBO's) on the High Street.

In addition, the regulatory regime surrounding customer welfare pertaining to gambling machines is expected to strengthen, but the Directors are confident that the Company's subsidiaries are well placed to implement any additional social responsibility measures required.

In December 2018, the Company purchased £11.7m of gambling machines as part of its strategy to improve the profitability of the subsidiaries, of which £9.6m of the assets were acquired through finance lease agreements. The gambling machines were sold to the relevant subsidiaries for installation at venues during 2019.

In the year the Group initiated a project to define the technical and style standards for the future (the 'Future Venues' project). At the end of 2018 eight AGC venues had been re-fitted to the new standard, and it is the intention of management that all venues will be transformed to the new style by the end of 2021. The transformation includes the refurbishment of the sites, the renewal of a significant proportion of the machine estate, and changes to the ambience of the venues.

At the end of the year, the number of operating venues in subsidiary undertakings stood at 168, which included 6 Bingo Clubs.

This report was approved by the board on 19 March 2019 and signed on its behalf.



B. Längen
Director

PRAESEPE HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors present the report and the financial statements for the year ended 31 December 2018.

Directors' responsibilities statement

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, Directors are required to:

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

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

Results and dividends

The loss for the year, after taxation, amounted to £1,679,000 (2017: £72,000).

The Directors do not recommend the payment of a dividend (2017: £nil).

Directors

The Directors who served during the year were:

N Harding	(resigned 28 June 2018)
S Bruns	(appointed 28 June 2018)
B Lungen	(appointed 28 June 2018)

Charitable and political donations

The Company made charitable donations during the year of £115,000 (2017: £18,000).

During the year the Company made no political donations (2017: £nil).

PRAESEPE HOLDINGS LIMITED

DIRECTOR'S REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

Regulatory risk

The current political and social environment continues to perceive the gambling industry in a concerned light and there is a risk that such negative publicity may lead to adverse changes in regulation and legislation. The Company works hard to ensure that it actively provides and promotes an environment in which customers play safely. The Company also works with stakeholders, customers and regulators to help public understanding of the gaming offers it provides, participating in trade bodies' representations to political and regulatory bodies to ensure that such stakeholders clearly understand the positive contribution that its business provides to the economy.

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

Liquidity risk

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

Interest rate risk

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

Foreign currency risk

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

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, therefore they continue to adopt the going concern basis for accounting in preparing the annual financial statements.

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

Qualifying third party indemnity provisions

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

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

PRAESEPE HOLDINGS LIMITED

DIRECTOR'S REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

Employee consultation

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

This is achieved through 1:1, departmental and regional meetings, regular business bulletins, monthly employee newsletters, and a bi-annual company magazine.

Performance targets and indicators are published each week to inform employees of financial performance to budget both weekly and cumulatively; and staff participate in incentive and bonus schemes to achieve financial targets throughout the year.

All employees are actively informed and encouraged to participate in activities relating to the organisation's corporate social responsibility agenda which has previously included support of the gaming industry's charity CHIPs (Children's Happiness Involves People) to which the Group has contributed over £1m in the past few years by way of local and national fundraising activities and charitable donations. From 2019, the Group will be supporting the BACTA charitable trust, which will allow the Group to support more local charities, as well as four major charities including Great Ormond Street Hospital, Days of Sunshine, Teenage Cancer Trust and The Royal Marsden Cancer charity.

Employment of disabled persons

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

Matters covered in the strategic report

As permitted by Paragraph 1A of Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and reports) Regulations 2008 certain matters which are required to be disclosed in the directors' report have been omitted as they are included in the strategic report on pages 1 & 2. These matters relate to future developments.

Disclosure of information to auditor

The Directors have confirmed that:

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

Post balance sheet events

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

PRAESEPE HOLDINGS LIMITED

DIRECTOR'S REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

Auditor

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

This report was approved by the board on 19 March 2019 and signed on its behalf.



**B Lingen
Director**

PRAESEPE HOLDINGS LIMITED

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

Opinion

We have audited the financial statements of Praesepe Holdings Limited (the 'company') for the year ended 31 December 2018 which comprise the statement of comprehensive income, the balance sheet, 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 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the directors report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report has been prepared in accordance with applicable legal requirements.

PRAESEPE HOLDINGS LIMITED

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

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

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

Matters on which we are required to report by exception

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

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

Responsibilities of directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Nicholas Watson BSc ACA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
Date: 19th March 2019.

PRAESEPE HOLDINGS LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £000	Restated 2017 £000
Administrative expenses		(11,750)	(7,853)
Exceptional administrative expenses	13	(746)	(255)
Other operating income	5	12,423	8,595
Operating (loss) / profit	6	(73)	487
Interest receivable and similar income	10	426	334
Interest payable and similar charges	11	(1,987)	(949)
Loss on ordinary activities before taxation		(1,634)	(128)
Taxation on loss on ordinary activities	12	(45)	56
Loss for the financial year		(1,679)	(72)

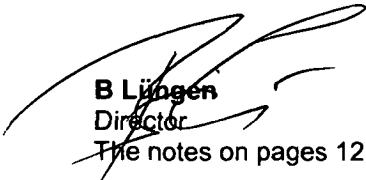
The notes on pages 12 to 30 form part of these financial statements.

PRAESEPE HOLDINGS LIMITED
REGISTERED NUMBER: 07833708

BALANCE SHEET
AS AT 31 DECEMBER 2018

	Note	2018 £000	Restated 2017 £000
Fixed assets			
Intangible assets	14	135	215
Tangible assets	15	444	718
Investments	16	69,201	69,220
		<u>69,780</u>	<u>70,153</u>
Current assets			
Debtors: Amounts falling due within one year	17	52,719	39,091
Cash at bank and in hand	18	310	1,203
		<u>53,029</u>	<u>40,294</u>
Creditors: Amounts falling due within one year	19	(43,813)	(30,085)
Net current assets		<u>9,216</u>	<u>10,209</u>
Total assets less current liabilities		<u>78,996</u>	<u>80,362</u>
Creditors: Amounts falling due after more than one year	20	(37,114)	(36,834)
Provisions for liabilities			
Other provisions	23	(333)	(300)
		<u>(333)</u>	<u>(300)</u>
Net assets		<u><u>41,549</u></u>	<u><u>43,228</u></u>
Capital and reserves			
Called up share capital	25	-	-
Capital contribution reserve	24	4,701	4,701
Profit and loss account	24	36,848	38,527
		<u><u>41,549</u></u>	<u><u>43,228</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 19 March 2019.


B Lingen
 Director

The notes on pages 12 to 30 form part of these financial statements.

PRAESEPE HOLDINGS LIMITED

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

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital £000	Capital contribution reserve £000	Profit and loss account £000	Total equity £000
At 1 January 2017	-	-	38,599	38,599
Comprehensive income for the year				
Loss for the year (restated)	-	-	(72)	(72)
Total comprehensive income for the year	-	-	(72)	(72)
<i>Transactions with shareholders</i>				
Capital contribution arising on loan from ultimate parent company (note 21) (restated)	-	4,701	-	4,701
Total transactions with shareholders (restated)	-	4,701	-	4,701
At 31 December 2017 (restated)	-	4,701	38,527	43,228

The notes on pages 12 to 30 form part of these financial statements.

PRAESEPE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. General information

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

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

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

2. Accounting policies

2.1 Basis of Preparation

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

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

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

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

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

This information is included in the consolidated financial statements of Merkur Casino UK Limited ("MCUK") as at 31 December 2018 and these financial statements may be obtained from Seebeck House, 1A Seebeck Place, Knowlhill, Milton Keynes, Buckinghamshire, MK5 8FR.

PRAESEPE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.3 Going Concern

After reviewing 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, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and, accordingly, consider that it is appropriate to adopt the going concern basis in preparing these financial statements.

2.4 Intangible Assets

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

All intangible assets are considered to have a finite useful life. Intangible assets are amortised using the straight-line method. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

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

2.5 Other operating income

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

Rental Income

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

Management charges

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

2.6 Tangible Fixed Assets

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

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

PRAESEPE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.6 Tangible Fixed Assets (continued)

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

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

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

2.7 Investments

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

2.8 Debtors

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

2.9 Leasing and hire purchase

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

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

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

PRAESEPE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.10 Finance Costs

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

Finance costs relating to loans from the Company's overseas parent Merkur Casino GmbH (formerly Casino Merkur Spielothek GmbH), are charged to the statement of comprehensive income over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount.

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

2.11 Interest Income

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

2.12 Financial Instruments

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

Financial assets – classified as basic financial instruments.

Cash and cash equivalents

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

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.

PRAESEPE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.12 Financial Instruments (continued)

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.

2.13 Foreign Currency Translation

The Company's functional currency is Sterling.

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

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

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

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

2.14 Borrowing costs

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

2.15 Taxation

Tax is recognised in the statement of comprehensive income, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the 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.

PRAESEPE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. Accounting policies (continued)

2.15 Taxation (continued)

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

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

2.16 Exceptional Items

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

2.17 Pensions

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

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

2.18 Provisions

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

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the 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 2018

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

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

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in the accounting policies, including intangible fixed assets (2.4), tangible fixed assets (2.6) and provisions (2.18).

Intangible fixed assets and tangible fixed assets

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

Provisions

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

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

4. Prior year adjustment

In December 2017 the ultimate parent company, Merkur Casino GmbH, redenominated a long-term Euro loan into Sterling at a value of £48,027,000. During the year it was identified that the interest rate for the loan (1%) 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 fair value, which is calculated by discounting the cash payments of the loan by the market rate of interest for a similar loan.

A prior year adjustment has been recognised in the financial statements to restate the carrying value of the loan at inception using an interest rate of 4.22%, which is considered to be the market rate.

The impact of this adjustment is shown in the table below.

PRAESEPE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

4. Prior year adjustment (continued)

	2017 As reported £000	2017 Adjustment £000	2017 Restated £000
<i>Impact on statement of profit or loss (increase / (decrease) in profit)</i>			
Interest payable - Loans from group undertakings	(543)	(59)	(602)
<i>Impact on balance sheet</i>			
Creditors : amounts due within one year – loan from ultimate parent undertaking	(10,800)	1,249	(9,551)
Creditors : amounts due after more than one year – loan from ultimate parent undertaking	(40,227)	3,393	(36,834)
Retained earnings	38,586	(59)	38,527
Capital contribution reserve	-	4,701	4,701

5. Other operating income

	2018 £000	2017 £000
Machine rental income from group companies	-	816
Rents receivable from other group companies	379	325
Sundry income	27	184
Fees receivable from group companies for management and administration services	12,017	7,270
	<u>12,423</u>	<u>8,595</u>

6. Operating (loss)/ profit

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

	2018 £000	2017 £000
Loss/(profit) on disposal of intangibles	22	(1)
Depreciation of tangible fixed assets – owned	223	312
Depreciation of tangible fixed assets - held under finance leases	-	127
Amortisation of intangible assets	76	105
Defined contribution pension cost	204	95
Other operating leases	<u>1,049</u>	<u>424</u>

PRAESEPE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

7. Auditor's remuneration

	2018 £000	2017 £000
Fees payable to the Merkur Casino UK Limited Group's auditor and its associates for the audit of the Group's annual accounts	<u>118</u>	<u>112</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 2018, then the audit fee for the Company would have been £10,000 (2017: £5,000).

Fees paid to the auditors in respect of tax services and other non-audit fees amounted to £16,250 (2017: £12,000).

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

8. Employees

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

	2018 £000	2017 £000
Wages and salaries	5,273	2,854
Social security costs	762	343
Pension costs	204	95
	<u>6,239</u>	<u>3,292</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>90</u>	<u>70</u>

9. Directors' remuneration

	2018 £000	2017 £000
Directors' emoluments	<u>404</u>	<u>816</u>
	<u>404</u>	<u>816</u>

During the year retirement benefits were accruing to no Directors (2017: none) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £212,000 (2017: £498,000).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £nil (2017: £nil).

PRAESEPE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

10. Interest receivable

	2018 £000	2017 £000
interest receivable from group companies	426	334
	<u>426</u>	<u>334</u>

11. Interest payable and similar charges

	2018 £000	Restated 2017 £000
Loans from group undertakings	1,969	602
Foreign exchange loss on translation of loan	-	278
Finance leases and hire purchase contracts	18	69
	<u>1,987</u>	<u>949</u>

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

A group loan with an interest rate of 1% per annum has been recognised at inception using the market rate of 4.22%. Consequently, additional interest of £1,249,000 has been charged to the statement of comprehensive income in the year (2017: £59,000). Further details are provided in Note 21 to these financial statements.

12. Taxation

	2018 £000	2017 £000
Corporation tax		
Current tax on profits in the year	-	-
Adjustments in respect of previous periods	45	(56)
Total current tax	<u>45</u>	<u>(56)</u>

PRAESEPE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

12. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017: lower than) the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%). The differences are explained below:

	2018 £000	Restated 2017 £000
Loss on ordinary activities before tax	(1,634)	(128)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017: 19.25%)	(311)	(24)
Effects of:		
Expenses not deductible for tax purposes	338	90
Depreciation in excess of Capital allowances for year	(29)	41
Utilisation of tax losses	-	(25)
Other differences leading to a decrease in the tax charge	2	12
Adjustment in respect of prior periods	45	(56)
Group relief	-	(94)
Total tax charge/(credit) for the year	45	(56)

Factors that may affect future tax charges

A deferred tax asset has not been recognised in relation to other temporary timing differences of £1,619,000 (2017: £808,000). Details are provided in note 21.

Changes in tax legislation

Under the Finance Act 2017, the rate of Corporation tax has been reduced from 19% to 17% from April 2020 and this rate has been used in the calculation of deferred tax.

13. Exceptional items

	2018 £000	2017 £000
HM Revenue and Customs costs	450	-
Redundancy costs	296	-
Dilapidation provision	-	255
	746	255

PRAESEPE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

13. Exceptional items (*continued*)

Dilapidation costs

During the prior year the Company recognised a provision for property dilapidations based on the charge that could reasonably be expected to arise at the end of, or during, the respective lease terms. The provision represents the accrued charge from the inception of the lease to 31 December 2017. During 2018 a charge to the profit and loss account of £33,000 has been recognised, and this is included in administrative expenses.

HM Revenue and Customs costs

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

14. Intangible assets

	Software £000	Licences £000	Total £000
Cost			
At 1 January 2018	396	3	399
Additions	12	-	12
Additions from other group companies	113	-	113
Disposals to other group companies	(153)	-	(153)
At 31 December 2018	368	3	371
Amortisation			
At 1 January 2018	184	-	184
Charge for the year	75	1	76
Additions from other group companies	9	-	9
Disposals to other group companies	(33)	-	(33)
At 31 December 2018	235	1	236
Net book value			
At 31 December 2018	133	2	135
At 31 December 2017	212	3	215

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 2018

15. 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 2018	4	241	1	1,056	1,302
Additions	-	252	-	49	301
Additions from other group companies	-	798	-	44	842
Disposals to other group companies	-	(1,135)	-	(257)	(1,392)
Disposals	-	(9)	-	(37)	(46)
At 31 December 2018	4	147	1	855	1,007
Depreciation					
At 1 January 2018	1	168	1	414	584
Charge for the period	1	40	-	182	223
Additions from other group companies	-	12	-	15	27
Disposals to other group companies	-	(164)	-	(101)	(265)
Disposals	-	(6)	-	-	(6)
At 31 December 2018	2	50	1	510	563
Net book value					
At 31 December 2018	<u>2</u>	<u>97</u>	<u>-</u>	<u>345</u>	<u>444</u>
At 31 December 2017	<u>3</u>	<u>73</u>	<u>-</u>	<u>642</u>	<u>718</u>

Fixed Asset Review

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

Assets held under finance leases

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

The carrying value of assets held under finance leases is £nil (2017: £nil).

PRAESEPE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

16. Fixed asset investments

	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2018	69,720
Disposal	(19)
At 31 December 2018	<u>69,701</u>
Impairment	
At 1 January 2018	500
Charge for the year	-
At 31 December 2018	<u>500</u>
Net book value	
At 31 December 2018	<u>69,201</u>
At 31 December 2017	<u>69,220</u>

In the year the Company reviewed the cost of investment in Mirage Centres Limited, and as a result a disposal of £19,000 was made.

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

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

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

PRAESEPE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

17. Debtors

<i>Due within one year</i>	2018 £000	2017 £000
Trade debtors	3	909
Amounts owed by group undertakings	51,236	37,610
Amounts owed by related parties	428	-
Other debtors	311	364
Prepayments and accrued income	741	208
	<u>52,719</u>	<u>39,091</u>

The amounts owed by group undertakings are unsecured at an interest rate of 1.25% (2017: 1.25%), and have no fixed terms for repayment. Interest is rolled up into the loan balance.

18. Cash and cash equivalents

	2018 £000	2017 £000
Cash at bank and in hand	310	1,203
	<u>310</u>	<u>1,203</u>

19. Creditors: Amounts falling due within one year

	2018 £000	Restated 2017 £000
Loan from ultimate parent undertaking (note 21)	14,133	9,551
Trade creditors	2,457	4,445
Amounts owed to group undertakings	22,232	13,402
Amounts owed to related parties	606	1,385
Taxation and social security	364	166
Obligations under finance lease and hire purchase contracts	1,530	149
Other creditors	142	106
Accruals and deferred income	2,349	881
	<u>43,813</u>	<u>30,085</u>

The amounts owed to group undertakings are unsecured at an interest rate of 1.25% (2017: 1.25%), and have no fixed terms for repayment. Interest is rolled up into the loan balance.

PRAESEPE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

	2018 £000	Restated 2017 £000
Loan from ultimate parent undertaking (note 20)	30,701	36,834
Net obligations under finance leases and hire purchase contracts	6,413	-
	<u>37,114</u>	<u>36,834</u>

The obligations under finance leases due after more than one year are split £1,589,000 (2017: £nil) due between one and two years, £4,206,000 (2017: £nil) due between two and five years and £618,000 (2017: £nil) due after more than five years.

21. Loans

Analysis of the maturity of loans is given below:

	2018 £000	Restated 2017 £000
Amounts falling due within one year		
Loan from ultimate parent company	14,133	9,551
Amounts falling due 2-5 years		
Loan from ultimate parent company	26,519	25,706
Amounts falling due after more than 5 years		
Loan from ultimate parent company	4,182	11,128
	<u>44,834</u>	<u>46,385</u>

All loans from the ultimate parent undertaking are unsecured.

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

Under FRS 102, where loans are obtained at interest rates lower than market rate, the loan must be measured at fair value, which is calculated by discounting the cash payments of the loan by the market rate of interest for a similar loan.

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

During the year the Company made principal repayments of £7,200,000 (2017: £nil).

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

PRAESEPE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

22. Deferred taxation

A deferred tax asset of £275,000, stated at 17%, (2017: £137,000 stated at 17%) has not been recognised in the financial statements of the Company due to uncertainty surrounding the timing of the reversal of the temporary differences in accordance with the Company's accounting policy.

Unprovided deferred tax consists of accelerated capital allowances of £270,000 (2017: £102,000) and other timing differences of £5,000 (2017: £35,000).

23. Provisions

	Dilapidations £000	Total £000
At 1 January 2018	300	300
Additions	33	33
Utilisation during the year	-	-
At 31 December 2018	<u>333</u>	<u>333</u>

As part of the Company's property leasing arrangements there is an obligation to repair damages which occur during the life of the lease, such as wear and tear. The provision is based on the charge that could reasonably be expected to arise at the end of, or during, the respective lease terms and represents the accrued charge from the inception of the lease to 31 December 2018. The provision is expected to be utilised at various dates up to May 2022.

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

24. Reserves

Profit & loss account

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

Capital contribution reserve

On 15 December 2018 the Group recognised a capital contribution of £4,701,000 arising on the redenomination of a long-term Euro loan into Sterling, which had been provided at an interest rate lower than the market rate of interest. Details of this transaction are provided in note 21.

25. Share capital

	2018 £	2017 £
Shares classified as equity		
Authorised, allotted, called up and fully paid		
1 Ordinary share of £1	<u>1</u>	<u>1</u>

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

PRAESEPE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

26. Pension commitments

The Group operates two defined contribution pension schemes into which the employees of Praesepe Holdings Limited are included. The pension charge for the year represents contributions payable by the Company to the funds and amounted to £204,000 (2017: £95,000). At the end of the year there were employer and employee contributions outstanding of £37,000 (2017: £23,000).

27. Commitments under operating leases

At 31 December 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £000	2017 £000
Not later than 1 year	443	540
Later than 1 year and not later than 5 years	608	992
Later than 5 years	312	370
Total	1,363	1,902

28. Related party transactions

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

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

At 31 December 2018, the following balances existed with related parties which are not a part of the MCUK group (excluding loans shown in note 21):

	Receivable		Liability	
	2018 £000	2017 £000	2018 £000	2017 £000
Merkur Casino GmbH	-	-	211	401
Gauselmann AG	-	-	18	-
BEIT Systemhaus GmbH	-	-	84	123
Spielothek Immobilien Gauselmann GmbH	-	-	1	-
Regal Amusement Machines Sales Limited	-	-	24	14
Merkur Casino International GmbH	11	-	267	-
Merkur management Services Limited	417	-	-	-
Blueprint Operations Limited	-	-	-	255
GeWeTe Geldwechsel & Sicherheitstechnik GmbH	-	-	1	592

PRAESEPE HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

29. Controlling party

As at 31 December 2018 the immediate parent company was Merkur Casino UK Limited, an intermediate holding company.

The largest group in which the results of the Company are consolidated is that headed by Merkur Casino GmbH (formerly 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, Knowlhill, Milton Keynes, Buckinghamshire, MK5 8FR.

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