

Merkur Casino Holdings UK Limited

Annual Report and Financial Statements

For the year ended 31 December 2022



MERKUR CASINO HOLDINGS UK LIMITED

COMPANY INFORMATION

Directors	B Längen S Bruns M S Schertle
Registered number	07833708
Registered office	Seebeck House 1a Seebeck Place Knowlhill Milton Keynes Buckinghamshire MK5 8FR
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 30 Finsbury Square London EC2A 1AG

MERKUR CASINO HOLDINGS UK LIMITED

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MERKUR CASINO HOLDINGS UK LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

Introduction

The directors present the Strategic Report for Merkur Casino Holdings UK Limited ("the Company") for the year ended 31 December 2022.

Business review

Principal activity

The Company's principal activity is to act as a holding company, providing administration functions to the companies it holds in return for charging a management fee. The subsidiary companies are engaged in the provision of leisure services and entertainment facilities. The Company also acts as a holding company for the Group's non-trading companies.

A list of all companies in the Merkur Casino Holdings Group ("Group") is shown in note 16 to these financial statements.

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

Principal risks and uncertainties

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

COVID-19

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

Regulation

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

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

Economic climate

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

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

MERKUR CASINO HOLDINGS UK LIMITED

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

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 was a loss of £5.2m (2021: profit of £1.0m as adjusted). The loss in the year is due to two key factors. Firstly, the recognition of impairment charges of £4.0m relating to investments (2021: £nil), and secondly, the Company incurred a charge of £2.9m relating to the restatement of the carrying value of a loan with the parent company. This arose from a revision to the expected future cash flows relating to the loan. In 2021, a similar revision of the expected future cash flows resulted in a £1.1m credit to the Statement of Comprehensive Income.

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

Financial position at the reporting date

The statement of financial position shows that the Company's net assets at the year-end decreased by £11.7m, from £45.8m to £34.1m, primarily due to additional loan finance received from a parent company, Merkur Casino GmbH (see note 22) and investment impairment which are offset by an increase in amounts due to the Company from subsidiary companies.

Business development during the year

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

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

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

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

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

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

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

MERKUR CASINO HOLDINGS UK LIMITED

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

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

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

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

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

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

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

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

Customers

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

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

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

Employee engagement

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

MERKUR CASINO HOLDINGS UK LIMITED

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

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

Suppliers

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

Local communities

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

The Group has also appointed a brand ambassador who will represent the group both internally and externally.

Regulators

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

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

Environment

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

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

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



B Lungen
Director

MERKUR CASINO HOLDINGS UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their report and the audited financial statements of the Company for the year ended 31 December 2022.

Future developments

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

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

Results and dividends

The loss for the year, after taxation, amounted to £11,756,000 (2021: profit of £8,999,000).

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

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. Additional financial support is also available from the Group's parent company if required.

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

Charitable and political donations

The Company made charitable donations during the year of £209,000 (2021: £500).

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

Business risk

Regulatory risk

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

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

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

MERKUR CASINO HOLDINGS UK LIMITED

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

Regulatory risk (continued)

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

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

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

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

Financial risk

Liquidity

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

Interest rate

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

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

Foreign currency

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

Credit

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

Directors

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

B Lungen
S Bruns
M S Schertle

Directors' indemnity

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

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

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

Employee consultation

The Merkur Casino UK Limited ("MCUK") Group, to which the Company belongs, routinely provides information to its employees through a variety of mediums, ensuring that information is disseminated regarding financial performance and/or matters affecting the business.

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

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

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

Employment of disabled persons

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

Events after the statement of financial position date

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

Statement of directors' responsibilities

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

Company law requires 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.

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 to 4.

MERKUR CASINO HOLDINGS UK LIMITED

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

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 they 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.

Auditor

Grant Thornton UK LLP will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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



B Lungen
Director

MERKUR CASINO HOLDINGS UK LIMITED

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

Opinion

We have audited the financial statements of Merkur Casino Holdings UK Limited (the 'Company') for the year ended 31 December 2022, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2022 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 are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

MERKUR CASINO HOLDINGS UK LIMITED

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

In the light of the knowledge and understanding of the 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, 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.

MERKUR CASINO HOLDINGS UK LIMITED

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

MERKUR CASINO HOLDINGS UK LIMITED

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

Use of our report

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

Grant Thornton UK LLP

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

MERKUR CASINO HOLDINGS UK LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

		2022	2021
	Note	£000	Restated £000
Administrative expenses		(15,678)	(15,622)
Exceptional administrative (expenses) / income	4	(6,819)	1,099
Other operating income	5	17,258	15,530
Operating (loss) / profit	6	(5,239)	1,007
Income from shares in group undertakings	16	101	11,149
(Loss) / Profit before interest and taxation		(5,138)	12,156
Non-operating expenses	10	(4,802)	(2,296)
Interest receivable and similar income	11	1,902	1,315
Interest payable and similar charges	12	(3,711)	(2,327)
(Loss) / Profit on ordinary activities before taxation		(11,749)	8,848
Taxation on (loss) / profit on ordinary activities	13	(7)	151
(Loss) / Profit for the financial year		(11,756)	8,999
Other comprehensive income for the year		-	-
Total comprehensive (Loss) / Profit for the year		(11,756)	8,999

The notes on pages 16 to 34 form part of these financial statements.

MERKUR CASINO HOLDINGS UK LIMITED
REGISTERED NUMBER: 07833708

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	2022 £000	2021 £000
Fixed assets			
Intangible assets	14	27	29
Tangible assets	15	282	254
Investments	16	87,700	90,700
		<u>88,009</u>	<u>90,983</u>
Current assets			
Stocks	17	11	290
Debtors: Amounts falling due after more than one year	18	46,000	46,000
Debtors: Amounts falling due within one year	18	18,295	5,134
Cash at bank and in hand	19	475	210
		<u>64,781</u>	<u>51,634</u>
Creditors: Amounts falling due within one year	20	(39,327)	(26,623)
Net current assets		<u>25,454</u>	<u>25,011</u>
Total assets less current liabilities		<u>113,463</u>	<u>115,994</u>
Creditors: Amounts falling due after more than one year	21	(79,137)	(69,920)
Provisions for liabilities			
Other provisions	24	(254)	(246)
		<u>(254)</u>	<u>(246)</u>
Net assets		<u><u>34,072</u></u>	<u><u>45,828</u></u>
Capital and reserves			
Called up share capital	25	-	-
Capital contribution reserve	26	4,701	4,701
Profit and loss account	26	29,371	41,127
		<u><u>34,072</u></u>	<u><u>45,828</u></u>

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



B Lungen
Director

The notes on pages 16 to 34 form part of these financial statements.

MERKUR CASINO HOLDINGS UK LIMITED

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

	Called up share capital £000	Capital contribution reserve £000	Profit and loss account £000	Total equity £000
At 1 January 2022	-	4,701	41,127	45,828
Comprehensive loss for the year				
Loss for the year	-	-	(11,756)	(11,756)
Total comprehensive loss for the year	-	-	(11,756)	(11,756)
At 31 December 2022	-	4,701	29,371	34,072

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

	Called up share capital £000	Capital contribution reserve £000	Profit and loss account £000	Total equity £000
At 1 January 2021	-	4,701	32,128	36,829
Comprehensive profit for the year				
Profit for the year	-	-	8,999	8,999
Total comprehensive profit for the year	-	-	8,999	8,999
At 31 December 2021	-	4,701	41,127	45,828

The notes on pages 16 to 34 form part of these financial statements.

MERKUR CASINO HOLDINGS UK LIMITED

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

1. General information

Merkur Casino Holdings UK 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 is disclosed in the Company information.

The principal activities of the Company are to act as a holding Company for Merkur Slots UK Limited, Merkur Technical Support Limited, Merkur Bingo and Casino Entertainment UK Limited, Mirage Centres Limited, Mayfair Acquisitionco Limited, Cashino Gaming (E&J) 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 cost convention and in accordance with FRS 102, the 'Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland', and the Companies Act 2006.

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

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

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 – reduced disclosure exemptions

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

- the requirements of Section 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 11.42, 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 2022 and these financial statements may be obtained from Seebeck House, 1A Seebeck Place, Knowlhill, Milton Keynes, Buckinghamshire, MK5 8FR.

MERKUR CASINO HOLDINGS UK LIMITED

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

2. Accounting policies (continued)

2.3 Going Concern

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

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

Based on the above, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

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.

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

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

2.5 Other operating income

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

Rental Income

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

Management charges

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

2.6 Tangible Fixed Assets

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

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

MERKUR CASINO HOLDINGS UK LIMITED

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

2. Accounting policies (continued)

2.6 Tangible Fixed Assets (continued)

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

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

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised 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 Stocks

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

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

2.9 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.

2.10 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 of the associated capital instrument.

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

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

MERKUR CASINO HOLDINGS UK LIMITED

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

2. Accounting policies (continued)

2.11 Leasing and hire purchase

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

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

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

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

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

2.12 Interest income

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

2.13 Interest expense

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

2.14 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.

MERKUR CASINO HOLDINGS UK LIMITED

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

2. Accounting policies (continued)

2.14 Financial Instruments (continued)

Financial assets – classified as basic financial instruments (continued)

(ii) Other receivables

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

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

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

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

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

2.15 Foreign Currency Translation

Functional and presentation currency

The Company's functional currency is Sterling.

Transactions and balances

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

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

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

2.16 Borrowing costs

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

MERKUR CASINO HOLDINGS UK LIMITED

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

2. Accounting policies (continued)

2.17 Current and deferred taxation

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Company can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

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

2.18 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.

2.19 Pensions

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

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

2.20 Provisions

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

MERKUR CASINO HOLDINGS UK LIMITED

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

2. Accounting policies (continued)

2.20 Provisions (continued)

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

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

2.21 Government Grants

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

Grants that compensate the Company for expenses incurred are recognised in the Statement of Comprehensive Income, in other operating income, in the periods in which the expenses are recognised by the Company. A grant that becomes receivable for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs shall be recognised in other operating income in the period in which it becomes receivable.

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 assets (2.4), tangible fixed assets (2.6) and provisions (2.20).

Intangible and tangible fixed assets

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

Provisions

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

In calculating the property dilapidations provision for leases in use in the business, management have estimated a cost per square metre on which to base the future dilapidations cost. The estimate is based on prior experience of dilapidation costs incurred. The provision is not discounted as it represents the present value of the obligation based on current estimates of the cost of repairs.

MERKUR CASINO HOLDINGS UK LIMITED

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

4. Exceptional administrative expenses / (income)

	2022	2021
	£000	Restated £000
Impairment of investment in Merkur Slots UK Limited (restated) (1)	-	-
Impairment of investment in Merkur Technical Support Limited (Note 16)	950	-
Impairment of investment in William Clark (Holdings) Limited (Note 16)	3,000	-
Remeasurement of the carrying value of parent company loan (Note 22) (restated) (2)	2,869	(1,099)
	<u>6,819</u>	<u>(1,099)</u>

Restatement of 2021 comparative values

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

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

Remeasurement of the carrying value of the parent company loan

A group loan with an initial interest rate of 1% per annum has been recognised at inception using the market rate of 4.22%. In November 2020, a loan of £11,000,000 was obtained under the Coronavirus Large Business Interruption Loan Scheme ("CLBILS"). Under the scheme no interest or loan repayments could be made regarding group loans until the CLBILS loan was repaid in November 2022. In the prior year, this resulted in a revision to the estimated cash flows relating to this group loan and a recalculation of the carrying value of the loan. The result of this recalculation was the recognition of an income of £1,099,000.

In 2022, the interest rate charged on the loan increased from 1% to 3.5%, therefore changing the estimated cashflows. A recalculation of the carrying value of the loan resulted in the recognition of a charge to the Statement of Comprehensive Income of £2,869,000.

5. Other operating income

	2022	2021
	£000	Restated £000
Rents receivable from other group companies	56	49
Remeasurement of the carrying value of parent company loan (restated; see note 4)	-	-
Government grants receivable	-	508
Fees receivable from group companies for management and administration services	17,202	14,973
	<u>17,258</u>	<u>15,530</u>

Government grants receivable

Government grants receivable in 2021 related to income due as a result of the Coronavirus Job Retention Scheme (note 29).

MERKUR CASINO HOLDINGS UK LIMITED

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

6. Operating (loss) / profit

The operating loss is stated after charging:

	2022 £000	2021 £000
Depreciation of tangible fixed assets – owned	61	67
Amortisation of intangible assets	34	46
Investment impairment (note 16)	3,950	-
Defined contribution pension cost	272	203
Other operating leases	<u>661</u>	<u>716</u>

7. Auditor's remuneration

	2022 £000	2021 £000
Audit fees payable to the Company's auditors	<u>215</u>	<u>173</u>

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

The Company bears the cost of non-audit fees for other companies in the MCKUK Group. In 2022, fees paid to the auditors in respect of tax services and other non-audit fees amounted to £19,000 (2021: £15,000).

8. Employees

Staff costs were as follows:

	2022 £000	2021 £000
Wages and salaries	7,848	5,925
Social security costs	1,064	765
Pension costs (note 27)	<u>272</u>	<u>203</u>
	<u>9,184</u>	<u>6,893</u>

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

	2022 Number	2021 Number
Management and administration	<u>135</u>	<u>101</u>

MERKUR CASINO HOLDINGS UK LIMITED

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

9. Directors' remuneration

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

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

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

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

10. Non-operating expenses

	2022 £000	2021 £000
Impairment of investment in Merkur Bingo and Casino Entertainment UK Limited (Note 16)	3,844	-
Impairment of investment in Merkur Slots UK Limited (Note 16)	958	2,296
	<u>4,802</u>	<u>2,296</u>

During the year, the Company paid deferred consideration on VAT refunds from HMRC to previous owners of its subsidiary entities. Deferred consideration to the value of £4,802,000 (2021: £2,296,000) has been treated as an addition to the investment in the subsidiary entities in these financial statements, and also impaired during the year (2021: £2,296,000) (note 16).

11. Interest receivable and similar income

	2022 £000	2021 £000
Interest receivable from group companies	1,882	1,314
Bank interest receivable	20	1
	<u>1,902</u>	<u>1,315</u>

12. Interest payable and similar charges

	2022 £000	2021 £000
Loans from group undertakings	3,626	2,163
Finance leases and hire purchase contracts	85	164
	<u>3,711</u>	<u>2,327</u>

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

A group loan with an interest rate of 1% per annum has been recognised at inception using the market rate of 4.22%. Effective from 1 January 2022, the interest rate on the loan was increased to 3.5%. Consequently, additional interest of £195,000 has been charged to the statement of comprehensive income (2021: £760,000). Further details are provided in Note 22 to these financial statements.

MERKUR CASINO HOLDINGS UK LIMITED

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

13. Taxation

	2022 £000	2021 £000
Corporation tax		
Current tax on loss for the year	-	-
Adjustments in respect of previous periods	-	-
Total current tax	-	-
Deferred taxation		
Origination and reversal of temporary timing differences	39	(43)
Arising on rate change	(25)	(31)
Adjustments in respect of prior periods	(7)	(77)
Total deferred taxation charge / (credit)	7	(151)
Taxation on (loss) / profit on ordinary activities	7	(151)

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

	2022 £000	2021 £000
(Loss) / Profit on ordinary activities before tax	(11,749)	8,848
(Loss) / Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	(2,232)	1,681
Effects of:		
Expenses not deductible for tax purposes	2,290	390
Group income not taxable	(19)	(2,118)
Other differences leading to a decrease in the tax charge	(25)	(27)
Adjustment in respect of prior periods	(7)	(77)
Total tax charge / (credit) for the year	7	(151)

Factors that may affect future tax charges

At the year end, a deferred tax asset of £248,000 (2021: £255,000) has been recognised in the financial statements of the Company. At the reporting date the Company had unutilised tax losses of £475,000 (2021: £315,000) available for offset against future taxable profits of the Company. Details of the deferred tax asset are shown in note 23 to these financial statements.

Changes in tax legislation

Under the Finance Act 2021 the rate of Corporation Tax is set to increase from 19% to 25% from 1 April 2023. The change to the Corporation Tax rate of 25% from 1 April 2023 was substantively enacted on 24 May 2021. Deferred tax has been measured using the tax rates applicable at the date any timing differences are expected to unwind.

MERKUR CASINO HOLDINGS UK LIMITED

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

14. Intangible assets

	Software £000	Licences £000	Total £000
Cost			
At 1 January 2022	304	3	307
Transfers	32	-	32
At 31 December 2022	336	3	339
Amortisation			
At 1 January 2022	277	1	278
Charge for the year	33	1	34
At 31 December 2022	310	2	312
Net book value			
At 31 December 2022	26	1	27
At 31 December 2021	27	2	29

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

15. Tangible assets

	Plant & machinery £000	Motor vehicles £000	Fixtures & fittings £000	Assets under construction £000	Total £000
Cost or valuation					
At 1 January 2022	18	1	745	86	850
Additions	-	-	95	35	130
Transfers	-	-	18	(50)	(32)
Transfers to other group companies	-	-	-	(9)	(9)
At 31 December 2022	18	1	858	62	939
Depreciation					
At 1 January 2022	17	1	578	-	596
Charge for the period	1	-	60	-	61
At 31 December 2022	18	1	638	-	657
Net book value					
At 31 December 2022	-	-	220	62	282
At 31 December 2021	1	-	167	86	254

MERKUR CASINO HOLDINGS UK LIMITED

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

15. Tangible assets (continued)

Fixed Asset Review

During the year, the Group conducted 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.

16. Fixed asset investments

	Investments in subsidiaries
Cost or valuation	£000
At 1 January 2022	106,614
Additions	5,752
At 31 December 2022	112,366
Impairment	
At 1 January 2022	15,914
Charge for the year	8,752
At 31 December 2022	24,666
Net book value	
At 31 December 2022	<u>87,700</u>
At 31 December 2021	<u>90,700</u>

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

- Merkur Bingo and Casino Entertainment UK Limited ("MBL"), a subsidiary undertaking, reclaimed £18,969,000 of VAT and associated interest from HMRC during the year (Rank II VAT claims). The VAT refunds related to VAT paid on Gaming Machines for the period 2003 to 2012, with amounts received for the periods to 30 September 2012, after the deduction of professional fees and corporation tax, being beneficially owned by previous owners of MBL.

Payments have been made or accrued by the Company and its parent undertaking, Merkur Casino UK Ltd, to the previous owners of MBL regarding the net VAT refund due. At 31 December £1,182,000 has been paid by the Company to the previous owners of MBL and £2,702,000 is included within Other Creditors in note 20. Amounts due to the previous owners from MCUK are included within the consolidated financial statements.

The amounts due to the previous owners has been treated as deferred consideration on the acquisition of MBL and recognised as an increase in the cost of investment in MBL. At 31 December, the Company reviewed the cost of investment in MBL and, as a result, an impairment of £3,844,000 was recognised.

- Merkur Slots UK Limited ("MSL"), a subsidiary undertaking, reclaimed £15,912,000 of VAT and associated interest from HMRC during the year (Rank II VAT claims). The VAT refunds related to VAT paid on Gaming Machines for the period 2006 to 2012, with amounts received for the periods to 30 September 2012, after the deduction of professional fees and corporation tax, partially being beneficially owned by previous owners of MSL.

Payments have been made by the Company and its parent undertaking MCUK to the previous owners of MSL regarding the net VAT refund due. The Company has made a payment of £958,000. Amounts due to the previous owners from MCUK are included within the consolidated financial statements.

The amount paid to the previous owners by the Company have been treated as deferred consideration on the acquisition of MSL and recognised as an increase in the cost of investment in MSL. At 31 December, the Company reviewed the cost of investment in MSL and, as a result, an impairment of £958,000 was recognised.

MERKUR CASINO HOLDINGS UK LIMITED

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

16. Fixed asset investments (continued)

- In the year, the Company reviewed the cost of investment in William Clark (Holdings) Limited, and as a result, an impairment of £3,000,000 was recognised.
- Further to a decision by the directors to recapitalise Merkur Technical Support Limited, the Company subscribed to an additional 10,000,000 ordinary shares of 1 pence each in that Company for consideration of £950,000. At 31 December 2022, the Company reviewed the cost of investment in Merkur Technical Support Limited and, as a result, an impairment of £950,000 was recognised.

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Shares	Holding	Principal activity
Merkur Slots UK Limited	Ordinary	100 %	Adult Gaming Centre operator
Baleday Limited	Ordinary	100 %	Non-trading company
Merkur Bingo and Casino Entertainment Ltd	Ordinary	100 %	Bingo club operator
Merkur Technical Support Limited	Ordinary	100 %	Maintenance services 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 %	Non-trading company
Dolphin Gaming Limited*	Ordinary	100 %	Non-trading company
Mirage Centres Limited	Ordinary	100 %	Non-trading company
Merkur Technical Support UK Limited*	Ordinary	100 %	Non-trading company

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

Dividends

During the year, the Company received dividends totalling £101,000 from Baleday Limited and Cashino Gaming E&J Limited (2021: £11,149,000 from Merkur Technical Support Limited).

17. Stocks

	2022 £000	2021 £000
Gaming machines	11	290
	<u>11</u>	<u>290</u>

MERKUR CASINO HOLDINGS UK LIMITED

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

18. Debtors**Due after more than one year**

	2022	2021
	£000	£000
Amounts owed by group undertakings	46,000	46,000
	<u>46,000</u>	<u>46,000</u>

Due within one year

	2022	2021
	£000	£000
Amounts owed by group undertakings	17,393	4,436
Deferred taxation (note 23)	248	255
Other debtors	195	135
Prepayments and accrued income	459	308
	<u>18,295</u>	<u>5,134</u>

The amounts owed by Group undertakings relating to finance leased assets are unsecured at an interest rate of 4.22% (2021: 4.22%); all other amounts owed to Group undertakings are unsecured at an interest rate of 3.5% (2021: 1.25%). All have no fixed terms for repayment, and interest is rolled-up into the total loan balance.

19. Cash and cash equivalents

	2022	2021
	£000	£000
Cash at bank and in hand	<u>475</u>	<u>210</u>

20. Creditors: Amounts falling due within one year

	2022	2021
	£000	£000
Trade creditors	520	556
Amounts owed to group undertakings	31,248	22,189
Taxation and social security	365	374
Obligations under finance lease and hire purchase contracts	2,216	2,057
Other creditors	2,756	14
Accruals and deferred income	2,222	1,433
	<u>39,327</u>	<u>26,623</u>

The amounts owed to Group undertakings are unsecured at an interest rate of 3.5% (2021: £1.25%); They have no fixed terms for repayment, and interest is rolled-up into the loan balance.

MERKUR CASINO HOLDINGS UK LIMITED

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

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

	2022 £000	2021 £000
Loan from Merkur Casino GmbH (note 22)	79,079	67,515
Net obligations under finance leases and hire purchase contracts	58	2,405
	<u>79,137</u>	<u>69,920</u>

The obligations under finance leases due after more than one year are split £58,000 (2021: £1,557,000) due between one and two years, £nil (2021: £848,000) due between two and five years and £nil (2021: £nil) due after more than five years.

22. Loans

Analysis of the maturity of loans is given below:

	2022 £000	2021 £000
Amounts falling due within one year		
Loan from Merkur Casino GmbH	12,000	1,200
Amounts falling due 2-5 years		
Loan from Merkur Casino GmbH	79,079	67,515
Amounts falling due after more than 5 years		
Loan from Merkur Casino GmbH	-	-
	<u>91,079</u>	<u>68,715</u>

All loans from the ultimate parent undertaking are unsecured.

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

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

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

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

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

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

MERKUR CASINO HOLDINGS UK LIMITED

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

22. Loans (continued)

Additional interest charges have also been recognised in the statement of comprehensive income, being the difference between the market rate of 4.22% and the actual interest rate of 3.5% (2021: 1%). The additional interest was £195,000 (2021: £760,000).

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

23. Deferred taxation asset

	2022 £000	2021 £000
At 1 January 2022	255	104
(Charged) / Credited to profit or loss	(7)	151
At 31 December 2022	<u>248</u>	<u>255</u>

The deferred tax asset is made up as follows:

Accelerated capital allowances	107	112
Tax losses	112	60
Other timing differences	29	83
	<u>248</u>	<u>255</u>

At 31 December 2022, there are no unrecognised deferred tax assets (2021: £nil).

24. Provisions

	Dilapidations £000	Total £000
At 1 January 2022	246	246
Additions	8	8
At 31 December 2022	<u>254</u>	<u>254</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 2022. The provision is expected to be utilised at various dates up to October 2024.

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

25. Share capital

	2022 £	2021 £
Shares classified as equity		
Authorised, allotted, called up and fully paid		
1 Ordinary share of £1	<u>1</u>	<u>1</u>

MERKUR CASINO HOLDINGS UK LIMITED

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

26. Reserves

Profit & loss account

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

Capital contribution reserve

On 15 December 2017, the Group recognised a capital contribution of £4,701,000 arising on the redenomination of a long-term Euro loan into Sterling, which had been provided at an interest rate lower than the market rate of interest. Details of this transaction are provided in note 22.

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

27. Pension commitments

The Group operates two defined contribution pension schemes into which the employees of Merkur Casino Holdings UK Limited are included. The pension charge for the year represents contributions payable by the Company to the funds and amounted to £272,000 (2021: £203,000). At the end of the year there were employer and employee contributions outstanding of £50,000 (2021: £11,000).

28. Commitments under operating leases

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

	2022 £000	2021 £000
Not later than 1 year	391	486
Later than 1 year and not later than 5 years	315	603
Later than 5 years	-	-
Total	706	1,089

29. Government Grants and Assistance

During the year to 31 December 2022, the Company received the following Government Grants:

	2022 £000	2021 £000
Coronavirus Job Retention Scheme (see note 5)	-	508
	-	508

30. Related party transactions

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

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

MERKUR CASINO HOLDINGS UK LIMITED

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

31. Controlling party

As at 31 December 2022 the immediate parent company was Merkur Casino UK Limited (MCUK), an intermediate holding Company.

The immediate parent and the controlling company of MCUK is Merkur Casino GmbH, a company registered in Germany.

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

The largest group in which the results of the Company are consolidated is that headed by Gauselmann AG, the ultimate controlling party.