

Praesepe plc

(“Praesepe” or the “Company” or the “Group”)

Interim Results for the 28 weeks ended 11 July 2010

Praesepe is a UK based company quoted on AIM. Its strategy is to build a diversified gaming group by pursuing acquisition and consolidation opportunities in the Low Stake High Volume (“LSHV”) betting and gaming sector in the UK and Europe. Potential areas of interest to the company include Adult Gaming Centres (“AGCs”), Family Entertainment Centres (coastal family arcades, or “FECs”) and Bingo clubs.

The statement below reports Praesepe’s trading results for the 28 weeks ended 11 July 2010. It includes 28 weeks of trading and central costs for the 54 Cashino venues in operation at 28 December 2009, and 12 weeks of trading for the 26 AGCs, six Bingo clubs and online Bingo site acquired from Beacon Entertainments Ltd (“Beacon”) in April 2010.

Reported Financial Highlights

- Group revenue £15.7 million (H1 09 £5.7 million)
- Gross profit £9.1 million (H1 09 £3.2 million)
- EBITDA* £2.1 million (H1 09 £0.5 million)
- Exceptional non-recurring costs** of £2.1 million (H1 09 £0.2 million)
- Net finance charge £1.2 million (H1 09 £0.2 million)
- Normalised profit* for the period £0.03 million (H1 09 loss of £0.2 million)
- Loss for the period £2.1 million** (H1 09 loss of £0.4 million)

** Stated before exceptional costs and IFRS 2 share based payment charges*

*** Following revision of IFRS 3 requiring expensing of certain acquisition costs that would previously have been capitalised*

Operating Highlights

- Resilient performance from core Cashino high street venues (inc Greenfield venues), gross revenue (before VAT) up 0.3 per cent year on year
- Strategic entry to Bingo market through acquisition of Beacon, acquired six Bingo clubs including the UK’s most prestigious Bingo club at Cricklewood and an online Bingo site, which are performing in line with expectations
- On track to deliver £2 million of cost savings, as stated at the time of the acquisition of Beacon, with £1.8 million already achieved ahead of schedule
- Acquisition of Beacon brought Praesepe’s gaming machine estate at the half year to over 4,250 machines
- Ongoing relicensing of AGCs to Bingo lounges so as to offer a wider variety of gaming products in those venues

Current trading and Outlook

Trading in Praesepe’s core and acquired businesses remains resilient to the adverse consumer spending environment. As anticipated, trading over the summer months was negatively impacted somewhat by the football World Cup. Our ongoing programme of installing new gaming machines across our estate is continuing to have a positive impact on like for like revenues and our diversification into Bingo is also helping to improve our earnings mix.

We are maintaining good cost control as we continue to add new operating sites and we expect revenue growth to drive operating margin expansion. We also expect to continue extracting cost synergies from the acquisition of Beacon and to meet our cost saving target of £2 million.

We remain frustrated by the delays to the proposed increase in stakes on Category B3 machines, which was promised by the Labour Government and also reiterated by a clear pledge from the Conservatives when in opposition. The Government review to support this increase has been the subject of extended delays and we still do not have clear visibility of when it will be completed. We would expect this increase in stakes to drive an uplift in our revenues if and when it is implemented.

Management is pleased with the recent trading performance and is confident that Praesepe remains on track for the full year.

Commenting on the results Nick Harding, CEO of Praesepe, said:

“2010 to date has been a milestone year for Praesepe as we moved into profit, on a normalised basis, for the first time. I am pleased that our tight cost control and delivery of synergies from Beacon is demonstrating the value of our consolidation strategy. We have also made significant strategic progress with the acquisition of Beacon and diversification into Bingo.

Our business remains resilient and we are performing in line with expectations for the full year, despite continued depressed consumer spending in the UK. The delay to the stake and prize review for Category B3 machines is a continued frustration, which we hope to see resolved as soon as possible.

We are excited by the opportunity within the 2005 Gambling Act to operate video bingo terminals (“VBTs”) in our venues, and have now converted 30 of our venues from licensed AGC venues to what we are describing as ‘Micro-Bingo clubs’, operating under cash bingo premises licenses. This will allow us to offer progressive, pari mutuel bingo games across multiple venues. This new high street gaming concept is being developed in conjunction with a small group of gaming operators and we expect the first beta test sites to launch in December.

We also continue to study a wide range of attractive acquisition opportunities and we remain totally convinced of the value of a roll up strategy in the European gaming sector.”

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OPERATING REVIEW

Corporate Update

Praesepe has demonstrated its resilience to the economic downturn with gross revenues (before VAT) at core high street venues (inc Greenfield venues) improving by an aggregate of 0.3 per cent, year on year.

We are satisfied with the performance in our core Cashino AGC business and continue to refine and improve our existing sites to maximise their revenue and profit potential, including the roll out of new gaming machines. Category B3 gaming machines are an important part of our product offering and we remain frustrated at the continued delay to the review of stakes on B3 machines promised by the Labour Government and the Conservatives in opposition. An increase in stakes would offer the potential for revenue growth and we continue to press for this review to take place as soon as possible.

We continue to acquire new operating sites and the integration of the two AGC businesses acquired in Q3 and Q4 of 2009 has gone well. We continue to see the benefits of synergies and operational improvements to those businesses, particularly at the seaside venues where we have introduced ticket redemption games for the first time.

The most important development in the first half of this year was the acquisition of Beacon Entertainments, which diversified our product offering into Bingo and offered significant cost saving opportunities. Trading at the acquired Bingo venues since acquisition has been in line with expectations.

Acquisitions

Praesepe completed the acquisition of Beacon Entertainments in April 2010. This transaction fundamentally altered the balance sheet of Praesepe, giving us access to debt financing on attractive terms. It also significantly enhanced our revenue profile, adding approximately £7 million of revenue in the first half, of which over £4.6 million was generated by the Bingo clubs. We committed to take out £2 million of costs from the combined entity, and as of the third week in September had already achieved a run rate of £1.8 million of savings. This gives us confidence that we will reach the £2 million target.

We have recently agreed to commence the rebranding of the 26 Beacon "Showboat" AGCs to "Cashino", and a trial site in Coventry has been successfully converted. We will complete this rebranding in Q2 of 2011. Since the acquisition in April we have also moved quickly to upgrade the fabric of the Beacon Bingo clubs, which is ongoing.

After the period end, on 20 September 2010, we completed the acquisition of eight AGC venues from various companies within the Noble group. This transaction was funded entirely through the issue of Praesepe shares and demonstrates the confidence that the vendors have in Praesepe's strategy. This acquisition fits well within our existing operational estate, provides strong opportunities to improve the sites and takes the total number of high street venues we operate in the UK to 87.

We are currently reviewing a number of attractive acquisition opportunities as we are recognised as the only currently active acquirer in the UK LSHV sector. We intend to capitalise on this as we move through Q4 and into 2011.

Regulatory framework

Since the enactment of the 2005 Gambling Act (in September 2007) we have been looking closely at the new regulatory framework and the opportunities for product development that it might provide. This analysis has prompted us to experiment with the operation of VBTs in our venues and encouraged us to convert 30 of our venues from licensed AGC venues to what we are describing as 'Micro-Bingo clubs', operating under cash bingo premises licenses. We currently have a further ten bingo licence applications being processed. These new licensed venues provide opportunities to operate VBTs and also allow us to experiment with other games that match the new 'Bingo variant' game criteria and present much larger, progressive pari mutuel bingo games across a number of venues. This new High street gaming concept is being developed in conjunction with a small group of gaming operators and we expect the first beta test sites to launch in December.

Whilst we are pleased with early indications from the new Government that they will be more supportive of the gaming entertainment industry, we are very disappointed that they have not moved faster to fulfil their clear pre-election pledge to review the stake for category B3 gaming machines and also to introduce a new formulaic approach to the numbers of machines that can be operated in a single venue. Whilst we believe that they will, in due course, honour this pledge it is frustrating that, at the time of writing, we have no visibility on an implementation date.

The Board

Brian Mattingley and Simon Thomas joined the Board as non executive Directors during the first half of the year and bring considerable experience in the gaming industry to the Group.

FINANCIAL REVIEW

The results of the Group for the 28 weeks ended 11 July 2010 are summarised below, with the beneficial impact of the Group's bingo, AGC and FEC acquisitions since 12 July 2009 clearly visible.

These acquisitions have provided the Group with increased scale and the opportunity to deliver significant economies. We are particularly pleased to report that on a normalised* basis, the Group delivered a profit of £36,000 for the period compared with a loss of £190,000 in the prior year period.

	28 weeks Ended 11 July 2010 £'000	28 weeks Ended 12 July 2009 £'000
Revenue	15,742	5,736
EBITDA *:		
Operations	2,738	1,207
Group overheads	(665)	(693)
Group EBITDA *		
Exceptional items	2,073	514
IFRS2 Share-based payments charge	(2,113)	(174)
Depreciation and amortisation	(1,167)	(631)
Operating loss	(1,231)	(353)
Net Finance charge	(1,220)	(170)
Loss before tax	(2,451)	(523)
Taxation credit	350	97
Loss for the Period	(2,101)	(426)
Profit/(loss) for the Period – Normalised *	36	(190)
Basic and fully diluted loss per share (pence) as reported	(0.73)	(0.21)
Normalised basic profit / (loss) per share (pence) *	0.01	(0.09)

* Stated before exceptional costs and IFRS 2 share based payment charges

Group Revenue

The Group generated net revenues (after VAT) for the first half of 2010 of £15.7 million (2009: £5.7 million), analysed as follows:

	28 weeks ended 11 July 2010 £'000	28 weeks ended 12 July 2009 £'000
Cashino Core (inc Greenfield venues)	5,477	5,567
Acquired AGC venues	5,658	169
Acquired Bingo clubs	4,607	-
	15,742	5,736

The table above highlights that the net revenue growth has been driven by the Group's business acquisitions since July 2009. For the core Cashino business (including Greenfield venues) gross revenues (before VAT) improved by 0.3 per cent. However, due to the increase in VAT on 1 January 2010, net revenues at the core Cashino business (including Greenfield venues), as reported above, declined by 1.6 per cent year on year. Given the current economic environment this illustrates the underlying resilience of LSHV gaming and the success of the Group's continued focus on our customers, our people and our service culture.

EBITDA

During the period under review, the Group delivered earnings before interest, tax, depreciation and amortisation ("EBITDA") from operations of £2.7 million (2009: £1.2 million) again reflecting the benefit of the business acquisitions since July 2009. Acquired AGCs and acquired bingo clubs each contributed an additional £0.8 million to EBITDA in 2010, resulting in a combined increase of £1.6 million from acquired venues over H1 2009. It should be noted that EBITDA from operations for 2010 is stated after the adverse impact of losses of £65,834 from Greenfield venues which have not yet reached maturity (2009: losses of £110,000). Group overheads remained in line with the prior year period at £0.7 million.

Exceptional costs

Exceptional costs were £2.1 million compared with £0.2 million in the prior year period. This increase in exceptional costs primarily arises due to a change in UK accounting standards (IFRS 3 revised) with effect from the start of this financial year, which now requires costs relating to acquisitions, irrespective of whether the acquisition is successfully completed or not, to be charged to exceptional items when incurred, unless they are directly attributable to the issue of equity or debt. In previous periods, those costs relating directly to acquisitions which completed could be capitalised on the balance sheet as either acquisition costs (in goodwill), as debt issue costs or equity issue costs and did not need to be taken as exceptional items. Furthermore, costs on potential acquisitions which were considered highly likely to be completed could be carried forward on the balance sheet until the acquisition was either completed or was no longer highly probable.

Result for the period

On a normalised basis (excluding exceptional costs and share based payments charge) the Group generated a profit for the period of £36,000 compared with a loss of £190,000 in the prior year period, resulting in a normalised profit per share of 0.01 pence per share in 2010 (2009: loss of 0.09 pence per share).

The reported loss for the period, including exceptional costs and share based payment charges, was £2.1 million, compared with a loss of £0.4 million in the prior year.

Acquisitions

On 20 April 2010, the Group acquired Beacon Entertainments Limited and its subsidiaries, which operate six premier bingo clubs, 26 AGCs and an online bingo site, for an initial purchase consideration (excluding deal costs) of £5.0 million payable by a combination of 63,333,334 ordinary shares issued to the vendors at a price of 7.5 pence per share and £272,500 in cash. As a part of the acquisition, the Group assumed £40.0 million in bank debt. Subject to the fulfilment of certain performance conditions,

the vendor may also receive up to 28,500,000 additional ordinary shares. Goodwill arising on the acquisition amounted to £35.4 million.

Subsequent to the end of the first half, on 20 September 2010, the Group acquired eight operating AGCs for a total consideration of £1.0 million (excluding deal costs), from various members of the Noble Organisation, which is one of the UK's leading gaming operators. The consideration was funded through the issue of 13,333,333 new ordinary shares in Praesepe to Falcombe Holdings Limited, a company connected to the rest of Noble by common ownership. This acquisition represents the Group's latest step in delivering its strategy of building a diversified group in the LSHV gaming sector.

Bank Debt

During the period, the Group repaid a £3.8 million secured bank loan as a part of the acquisition of Beacon Entertainments Limited, which resulted in the Group taking on an additional £40.0 million in secured bank loans, as noted above.

In line with usual agreements in respect of bank debt facilities, the bank loan agreements require the Group to comply with certain financial and non-financial covenants.

Equity

On 1 March 2010, the Group's shareholders approved a share reorganisation whereby each ordinary share of 10 pence was subdivided into one new ordinary share of 1 pence and one deferred share of 9 pence. The deferred shares have no rights to voting, dividends or capital distributions and have no value. The new ordinary shares have the same rights (including voting and dividend rights) as the previously issued ordinary shares.

In addition, at the Company's general meeting on 1 March 2010, the shareholders also approved the necessary resolutions to grant conversion rights to the loan notes, which are now convertible to ordinary shares at a conversion price of 9.0 pence per share.

On 30 March 2010, the Group completed a placing of 80,000,000 ordinary shares of 1 pence each at a placing price of 7.5 pence per share to raise £6 million before expenses.

The placing provided funds to facilitate acquisitions and was used to repay the Group's £3.8 million bank loan and pay the deal fees in respect of the acquisition of Beacon Entertainments Limited and its subsidiaries, which completed on 20 April 2010 and, as described above, was funded in part by the issue of ordinary shares to the vendors.

Dividends

No interim dividend has been paid or proposed (2009: £nil). The Directors continue to believe that the main focus of the company should be on delivering capital growth for shareholders, in line with its stated strategy. However, the dividend policy of the company continues to be regularly reviewed.

Condensed consolidated income statement

For the 28 weeks ended 11 July 2010

		28 weeks ended 11 July 2010 £'000	28 weeks ended 12 July 2009 £'000	52 weeks ended 27 December 2009 £'000
	Notes			
Revenue	4	15,742	5,736	11,883
Cost of sales		(6,596)	(2,543)	(5,551)
Gross profit		9,146	3,193	6,332
Administrative expenses		(8,264)	(3,372)	(6,612)
Exceptional expenses	5	(2,113)	(174)	(566)
Operating loss		(1,231)	(353)	(846)
Finance revenue	6	3	1	3
Finance costs	6	(1,223)	(171)	(547)
Loss before tax		(2,451)	(523)	(1,390)
Taxation credit/(charge)	7	350	97	(47)
Loss for the period attributable to equity holders		(2,101)	(426)	(1,437)
Loss per share				
Basic and fully diluted loss per share	8	(0.73)p	(0.21)p	(0.68)p

All the Group's activities derive from continuing operations.

Condensed consolidated statement of comprehensive income

For the 28 weeks ended 11 July 2010

		28 weeks ended 11 July 2010 £'000	28 weeks ended 12 July 2009 £'000	52 weeks ended 27 December 2009 £'000
Loss for the period attributable to equity holders		(2,101)	(426)	(1,437)
Other comprehensive income				
Cash flow hedge		(100)	—	—
Tax on cash flow hedge		28	—	—
Other comprehensive income for the period, net of tax		(72)	—	—
Total comprehensive income for the period attributable to equity holders		(2,173)	(426)	(1,437)

Condensed consolidated statement of financial position

As at 11 July 2010

		11 July	12 July	27
		2010	2009	December
	Notes	£'000	£'000	£'000
Non-current assets				
Goodwill	9	66,511	21,348	31,035
Other intangible assets		835	477	887
Premiums on operating leases		433	447	381
Property, plant and equipment	10	16,854	8,337	8,905
		84,633	30,609	41,208
Current assets				
Inventories		447	81	89
Prepayments and accrued income		4,938	1,239	1,608
Cash and cash equivalents		6,085	4,515	3,588
		11,470	5,835	5,285
Total assets		96,103	36,444	46,493
Current liabilities				
Trade and other payables		(8,866)	(1,708)	(2,986)
Corporation tax liabilities		(22)	(74)	(306)
Other taxation liabilities		(516)	(140)	(583)
Other financial liabilities		(3,050)	—	(4,545)
		(12,454)	(1,922)	(8,420)
Non-current liabilities				
Other financial liabilities		(45,775)	(3,715)	(7,982)
Deferred tax liabilities		(59)	(433)	(705)
		(45,834)	(4,148)	(8,687)
Total liabilities		(58,288)	(6,070)	(17,107)
Total net assets		37,815	30,374	29,386
Equity				
Share capital	12	23,445	22,011	22,011
Share premium		21,852	13,015	12,984
Other reserves	13	396	114	168
Retained losses		(7,878)	(4,766)	(5,777)
Total equity attributable to equity holders of the parent		37,815	30,374	29,386

Approved by the Board of Directors on 7 October 2010 and signed on its behalf by:

Matthew Proctor
Chief Financial Officer

Condensed consolidated statement of changes in equity

For the 28 weeks ended 11 July 2010

	Notes	Share capital £'000	Share premium £'000	Other reserves £'000	Retained losses £'000	Total £'000
At 1 January 2009		16,911	13,297	52	(4,340)	25,920
Total comprehensive loss for the period		—	—	—	(426)	(426)
Transactions with owners:						
Share issue on 2 March 2009		5,100	—	—	—	5,100
Costs relating to shares issued		—	(282)	—	—	(282)
Share-based payment charges		—	—	62	—	62
Transactions with owners		5,100	(282)	62	—	4,880
At 12 July 2009		22,011	13,015	114	(4,766)	30,374
Total comprehensive loss for the period		—	—	—	(1,011)	(1,011)
Transactions with owners:						
Cost relating to previous share issue		—	(31)	—	—	(31)
Share-based payment charges		—	—	54	—	54
Transactions with owners		—	(31)	54	—	23
At 27 December 2009		22,011	12,984	168	(5,777)	29,386
Loss for the period		—	—	—	(2,101)	(2,101)
Other comprehensive losses:						
Cash flow hedge	13	—	—	(100)	—	(100)
Tax on cash flow hedge	13	—	—	28	—	28
Total comprehensive loss for the period		—	—	(72)	(2,101)	(2,173)
Transactions with owners:						
Share issue on 30 March 2010	12	800	5,200	—	—	6,000
Share issue on 20 April 2010	12	634	4,116	—	—	4,750
Costs relating to shares issued	12	—	(448)	—	—	(448)
Share-based payment charges	13	—	—	24	—	24
Convertible bond equity component	13	—	—	385	—	385
Tax on equity component on convertible bond	13	—	—	(109)	—	(109)
Transactions with owners		1,434	8,868	300	—	10,602
At 11 July 2010		23,445	21,852	396	(7,878)	37,815

Condensed consolidated statement of cash flows

For the 28 weeks ended 11 July 2010

	28 weeks ended 11 July 2010 £'000	28 weeks ended 12 July 2009 £'000	52 weeks ended 27 December 2009 £'000
Operating activities			
Operating loss	(1,231)	(353)	(846)
Adjustments to reconcile operating loss for the period to net cash outflow from operating activities:			
Depreciation and amortisation	1,167	631	1,231
Loss on disposal of property, plant and equipment	1	1	1
Increase in inventories	(81)	(4)	(12)
Increase in tax receivables in relation to VAT case (note 16)	(2,617)	—	—
Decrease/(increase) in prepayments and accrued income	(677)	131	101
Increase/(decrease) in trade and other payables	1,120	(573)	(39)
Taxation paid	(310)	(467)	(480)
Share-based payment charges	24	62	116
Net cash flows from operating activities	(2,604)	(572)	72
Investing activities			
Purchase of businesses net of cash acquired (note 9)	6,396	(1,665)	(8,631)
Purchase of plant, property and equipment	(727)	(297)	(695)
Purchase of premiums on operating leases	—	(13)	(14)
Purchase of intangible assets	(54)	—	(22)
Proceeds from disposal of property, plant and equipment	—	39	—
Interest received	3	1	3
Net cash flows from investing activities	5,618	(1,935)	(9,359)
Financing activities			
Fees associated with loan facilities (note 11)	(1,474)	41	—
Repayment of borrowings	(3,750)	—	(352)
Repayment of finance lease liabilities	—	—	(53)
Proceeds from share issue	5,551	4,818	4,787
Proceeds from issue of unsecured convertible loan notes	—	—	6,500
Interest paid	(844)	(171)	(341)
Net cash flows from financing activities	(517)	4,688	10,541
Net increase/(decrease) in cash and cash equivalents	2,497	2,181	1,254
Cash and cash equivalents at beginning of period	3,588	2,334	2,334
Cash and cash equivalents at end of period	6,085	4,515	3,588

Notes to the financial information

For the 28 weeks ended 11 July 2010

1. General information

Praesepe plc (the "Company") is an AIM-listed company incorporated and domiciled in England. The principal activity of the Company is to pursue acquisition and consolidation opportunities in the low stake high volume gaming sector in the United Kingdom and Europe.

The addresses of the Company's registered office and principal place of business are set out in the corporate information at the end of this report.

The financial information contained in this report has been prepared in accordance with the requirements of IAS 34 "Interim Financial Reporting". It has not been audited and does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The statutory accounts for 2009, which were prepared under International Accounting Standards (IAS), have been delivered to the Registrar of Companies with an unqualified audit opinion. The audit report did not contain a statement under Section 231(2) and Section 231(3) of the Companies Act.

The financial information comprises the consolidated financial information of Praesepe plc (the "Company") and its subsidiaries for the 28 weeks ended 11 July 2010.

2. Basis of preparation and accounting policies

The Interim report has been prepared on the historical cost basis with the exception of certain items, which are measured at fair value as disclosed in the accounting policies. Except as described below, the accounting policies used for the preparation of these condensed financial statements follow the same accounting policies and methods of computation as applied in the 2009 financial statements, as described in those annual financial statements, and have been prepared under IAS. The 2009 Annual report and accounts are available from the group's website (www.praesepeplc.com) and the Company Secretary at the registered address set out on the inside of the back cover. The accounting policies have been consistently applied to both of the interim periods and the full year 2009 financial information presented in this Interim report, except where new standards and policies have come into effect as described below.

The business operates on a 52-week year comprising of 13, four-weekly accounting periods. Accordingly, its two half years comprise of 28 and 24 weeks respectively. Based on the historical trends experienced by the business, the trading activities of the Group have tended to be stronger in the Autumn/Winter compared with Spring/Summer.

The interim financial statements are unaudited and do not constitute statutory accounts as defined in Section 434 of the Companies Act 2006.

Subsidiaries

The Interim report incorporates the financial statements of the companies controlled by the Company (its subsidiaries) made up to 11 July 2010. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. Results of subsidiary undertakings acquired during the period are consolidated from the date on which control passes. The trading results of companies acquired during the period are accounted for under the purchase method of accounting. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

The purchase method is used to account for all acquisitions. The cost of an acquisition is measured at the fair values on the date of exchange of assets given, liabilities incurred or assumed and equity instruments issued, together with any costs directly attributable to the acquisition (for acquisitions prior to 27 December 2009). At the date of acquisition, the identifiable assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values. Any excess of the fair value of the acquisition consideration over the fair values of the identifiable net assets acquired is recognised as goodwill. Acquisitions after 1 January 2010 are accounted for in accordance with IFRS 3 revised, as detailed below. The status of the fair value assessment of the assets, liabilities and contingent liabilities on the Beacon acquisition is summarised in note 9.

Exceptional items

Items that are material in size and non-recurring in nature are presented as operating exceptional items in the Consolidated statement of comprehensive income within operating profit. The Directors are of the opinion that the separate recording of the operating exceptional items provides helpful information about the Group's underlying business performance. Examples of events which may give rise to the classification of items as exceptional include redundancy costs arising from reorganisations and, in prior periods, expenses that are directly attributable to a potential business combination where the Directors believe it is less than probable that the business combination will occur. As noted below, the amendment of IFRS 3 with effect from 1 January 2010 now requires costs relating to acquisitions, irrespective of whether the acquisition is successfully completed or not, to be charged to exceptional items when incurred, unless they are directly attributable to the issue of equity or debt. In previous periods, those costs relating directly to acquisitions which completed could be capitalised on the balance sheet as either acquisition costs (in goodwill), as debt issue costs or equity issue costs and did not need to be taken as exceptional items. Furthermore, costs on potential acquisitions which were considered highly likely to be completed could be carried forward on the balance sheet until the acquisition was either completed or was no longer highly probable.

New standards and amendments to standards

The following new standards and amendments to standards are mandatory for the first time for the financial period beginning 28 December 2009:

- IFRS 2 "Share-based Payment" (amendment) – the standard has been amended to clarify the accounting for Group cash-settled share-based payment transactions. This amendment also supersedes IFRIC 8 and IFRIC 11. The adoption of this amendment did not have any impact on the financial position or performance of the Group.
- IFRS 3 "Business Combinations" (revised) and IAS 27 "Consolidated and Separate Financial Statements" (amended) – the revisions to the standards apply from 1 January 2010. IFRS 3 (revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs and future reported results.
- IAS 27 (amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will they give rise to gains or losses. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary.

The revisions will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests. The revisions have been applied prospectively and had no impact during the period.

- IAS 39 "Financial Instruments: Recognition and Measurement – Eligible Hedged Items" – the amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk in particular situations. The amendment had no effect on the financial position or performance of the Group.
- IFRIC 17 "Distribution of Non-cash Assets to Owners" – the interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation had no effect on the financial position or performance of the Group.
- IFRIC 18 "Transfers of Assets from Customers" – the interpretation provides guidance on accounting for transfers of assets received from customers. The interpretation had no effect on the financial position or performance of the Group.
- Improvements to IFRSs (issued April 2009) – in April 2009 the second set of amendments to standards was issued, primarily with a view to removing inconsistencies and clarifying wording. The adoption of the amendments had no effect on the financial position or performance of the Group.

Interim specific and new accounting policies

Income taxes

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

Derivative financial instruments and hedging activity

As a result of the business combination in the period, the Group has acquired an interest rate swap to hedge the variable rate borrowings acquired. The Group has adopted the following accounting policy with respect to this derivative financial instrument and hedging activity.

Derivatives are recognised at fair value on the date a derivative contract is entered into or acquired and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designed as a hedging instrument, and if so, the nature of the item being hedged.

The Group has designated its interest rate swap hedging variable rate borrowings as a cash flow hedge. Accordingly the effective portion of change in the fair value of the interest rate swap is recognised in other comprehensive income. Amounts accumulated in equity are reclassified to profit or loss in the periods in which the hedged variable rate borrowings affect profit or loss. The gain or loss relating to the ineffective portion is recognised when incurred in the income statement within "other gains and losses".

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. Significant accounting estimates and assumptions

The preparation of financial information in conforming with International Financial Reporting Standards (IFRS) requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from these estimates.

4. Segment information

Management has determined the operating segments based on the reports reviewed by the Board that are used for strategic decisions.

The Board assesses the performance of its operating segments using earnings before interest, tax, depreciation and amortisation (EBITDA) which is also adjusted to exclude exceptional expenditure and the IFRS 2 share-based payment charges. The operational EBITDA is shown in the Financial Review above.

The Group operates solely within one geographical segment being the United Kingdom.

During 2009 and at the start of 2010, the Board reviewed one operating segment, being that of AGCs (including FECs and other high street venues) which operate in the low stake high volume gaming sector. These cash-based gaming centres are operated and managed together, with the Board assessing the financial position and trading progression of the AGCs based on the financial reports of these gaming centres as a whole.

However, the acquisition on 20 April 2010 of Beacon Entertainments Limited and its subsidiaries, which operate 26 AGCs and 6 Bingo clubs, has introduced a new operating segment in to the Group from that date, relating to their Bingo club activities. These Bingo clubs are operated and managed together, with the Board assessing the Bingo division's financial position and trading progression based on the financial reports of these Bingo clubs as a whole.

As a result, from 20 April 2010 the Group reports through two operating segments (AGCs and Bingo clubs) as analysed further below.

Due to the nature of the Group's operations there are no major customers as defined by IFRS 8.

	ACGs	Bingo clubs	£'000
	£'000	£'000	£'000
Revenue	11,135	4,607	15,742
Segment EBITDA*	1,909	829	2,738
Group overheads			(665)
Group EBITDA*			2,073
Exceptional expenses			(2,113)
IFRS2 share-based payment charges			(24)
Depreciation and amortisation			(1,167)
Operating loss			(1,231)

*Stated before exceptional costs and IFRS 2 share-based payment charges.

	28 weeks ended 12 July 2009		
	ACGs	Bingo clubs	£'000
	£'000	£'000	£'000
Revenue	5,736	—	5,736
Segment EBITDA*	1,207	—	1,207
Group overheads			(693)
Group EBITDA*			514
Exceptional expenses			(174)
IFRS2 share-based payment charges			(62)
Depreciation and amortisation			(631)
Operating loss			(353)

*Stated before exceptional costs and IFRS 2 share-based payment charges.

The Group operates and manages current and non-current assets and liabilities on a centralised basis from its head office in Milton Keynes. Accordingly, these assets and liabilities cannot be allocated to specific segments, and therefore depreciation, amortisation and interest income or expenditure also cannot be allocated to an operating segment. As a result, no further financial disclosure on assets and liabilities is deemed relevant for segmental reporting purposes as the relevant information is presented in the consolidated statement of financial position and related notes.

5. Exceptional expenses

	28 weeks ended 11 July 2010 £'000	28 weeks ended 12 July 2009 £'000	52 weeks ended 27 December 2009 £'000
Costs relating to aborted and ongoing potential business combinations and associated activities	154	—	134
Costs relating to successful business combinations	1,743	—	—
Costs relating to closed premises	97	—	163
Redundancies arising from reorganisation	119	174	269
	2,113	174	566

6. Net finance (cost)/revenue

	28 weeks ended 11 July 2010 £'000	28 weeks ended 12 July 2009 £'000	52 weeks ended 27 December 2009 £'000
Interest receivable on bank deposits	3	1	3
Interest payable	(894)	(131)	(547)
Fair value loss on interest rate swap: cash flow hedge transfer from equity	(255)	—	—
Amortisation of bank loan fees	(74)	(40)	—
	(1,220)	(170)	(544)

7. Taxation credit

The total tax credit for the period of £350,000 (28 weeks ended 12 July 2009: total tax credit of £97,000; 52 weeks ended 27 December 2009: tax charge of £47,000) comprises a tax credit of £91,000 (28 weeks ended 12 July 2009: tax credit of £97,000; 52 weeks ended 27 December 2009: tax charge of £173,000) based on the estimated effective tax rate of 29.9% (28 weeks ended 12 July 2009: 27.8%) for the 52 weeks ended 26 December 2010 applied to taxable losses before charging exceptional and other items, and a tax credit of £259,000 (28 weeks ended 12 July 2009: £nil; 52 weeks ended 27 December 2009: tax credit of £126,000) in respect of the net cost of exceptional and other items.

A potential deferred tax asset of £1,166,000 (28 weeks ended 12 July 2009: £866,000; 52 weeks ended 27 December 2009: £835,000) has not been recognised as future recovery is uncertain. The deferred tax asset not recognised is made up of £2,601,000 (28 weeks ended 12 July 2009 £3,011,000; 52 weeks ended 27 December 2009: £2,601,000) of allowable losses carried forward indefinitely, capital allowances in excess of depreciation of £1,553,000 (28 weeks ended 12 July 2009: £72,000; 52 weeks ended 27 December 2009: £381,000) and short term timing differences of £11,000 (28 weeks ended 12 July 2009: £10,000; 52 weeks ended 27 December 2009: £Nil), calculated at 28%.

Future tax issues

It was announced in the Budget on the 22 June 2010 that the UK corporation tax rate will be reduced from 28% to 27% from 1 April 2011, and by a further 1% per annum thereafter until 1 April 2014 when the corporation tax rate will be 24%.

The proposed rate reductions will reduce the amount of future cash tax payments to be made by the Group. Overall the reduction in the corporation tax from 28% to 24% is not expected to significantly affect the Group's net deferred tax liability, nor its unrecognised deferred tax assets.

The Budget also proposed that from 1 April 2012, the rate of capital allowances applicable to plant and machinery expenditure will be reduced from 20% to 18% on a reducing balancing basis. The rate of capital allowances applicable to long-term assets will be reduced from 10% to 8% on a reducing balancing basis. Once enacted, these changes to capital allowance rates will reduce the rate that tax relief is given to qualifying capital expenditure, which will advance cash tax payments. This will be offset by the proposed reductions to the rate of corporation tax.

8. Loss per share

	28 weeks ended 11 July 2010 £'000	28 weeks ended 12 July 2009 £'000	52 weeks ended 27 December 2009 £'000
Numerator			
Basic/diluted: net loss	2,101	426	1,437

	Number	Number	Number
Denominator			
Basic: weighted average shares	288,242,890	204,258,716	211,637,184

Basic loss per share is calculated by dividing the net loss for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

The impact of the share options, Management Participation Shares, Marwyn Participation Option, convertible loan notes and the deferred contingent consideration payable in shares has not been presented as they are anti-dilutive.

9. Goodwill

	Total £'000
Cost or valuation	
At 27 December 2009	31,035
Adjustment to provisional fair values	54
At 27 December 2009 restated	31,089
Recognised on acquisition through business combination	35,422
At 11 July 2010	66,511
Accumulated impairment losses	
At 27 December 2009	—
Impairment losses for the period	—
At 11 July 2010	—
Carrying amount	
At 11 July 2010	66,511
At 27 December 2009	31,089

Prior year adjustment to provisional fair values

During the year ended 27 December 2009 the Group was required to estimate the accruals for a number of the costs on the acquisition of subsidiary undertakings. These accruals have now been finalised resulting in an increase in previously recorded goodwill of £54,000.

Business acquisition during the period under review

On 20 April 2010, Praesepe plc acquired 100% of the voting equity share capital of Beacon Entertainment Limited for £5,023,000 (excluding fees) payable by a combination of 63,333,334 ordinary shares to the vendors at a price of 7.5 pence per share and £272,500 in cash. Subject to the fulfilment of certain conditions, the vendors may also receive up to 28,500,000 additional ordinary shares. The Group assumed £40,000,000 in secured bank debt as a part of that acquisition. Goodwill arising on acquisition amounted to £35,422,000.

The net assets of the business acquired during the period, as extracted from the acquiree's accounting records, and the provisional fair value adjustments ascribed thereto, are set out below.

	Book values and provisional fair values acquired £'000
Property, plant and equipment	8,040
Inventories	276
Prepayments and accrued income	40
Cash and cash equivalents	6,669

Trade and other payables	(3,400)
Bank borrowings	(40,000)
Derivative financial instrument: interest rate swap	(1,350)
Deferred tax on derivative financial instrument	378
Total fair value of net liabilities acquired	(29,347)
Goodwill	35,422
	6,075

Total consideration comprises:

Issue of shares (note 12)	4,750
Cash	273
	5,023
Payment of vendor deal costs	1,052
Total consideration	6,075

During the period, the net cash inflow arising from this business combination was £6,396,000 which comprised of the cash and cash equivalents acquired of £6,669,000 less the cash consideration paid of £272,500.

The goodwill arising on acquisition is attributable to the highly regarded operation of the businesses acquired, their prominent high street trading positions, the quality of staff taken on, the Beacon bingo trading name and the long-established trading record and consistent cash generation.

The fair value assessments for the consideration (including deferred contingent consideration); net assets acquired, contingent liabilities and separable intangible assets in relation to the Beacon acquisition have not yet been completed, but will be finalised and reported in the 2010 Annual report and accounts.

If the acquisition of Beacon Entertainments Limited had been completed on the first day of the period, the revenue and the operating loss of the Group would have been £19.7 million and £2.2 million respectively.

10. Property, plant and equipment

	Land and buildings £'000	Plant and equipment £'000	Fixtures and fittings £'000	Total £'000
Cost				
At 27 December 2009	6,066	2,356	1,929	10,351
Additions	181	577	238	996
Acquired through business combinations	4,817	896	2,327	8,040
Disposals	—	(1)	(1)	(2)
At 11 July 2010	11,064	3,828	4,493	19,385
Depreciation				
At 27 December 2009	367	553	526	1,446
Charge for the period	160	480	445	1,085
Disposals	—	—	—	—
At 11 July 2010	527	1,033	971	2,531
Net book value				
At 11 July 2010	10,537	2,795	3,522	16,854
At 27 December 2009	5,699	1,803	1,403	8,905

11. Financial instruments and risk management

The Group's principal financial instruments comprise Sterling cash and bank deposits, the bank and other loans (including the convertible loan notes), the interest rate swap and trade and other payables that arise directly from its operations.

Significant accounting policies

Details of significant accounting policies and methods adopted (including the criteria for recognition, the basis of measurement and the basis for recognition of income and expenses) for each class of financial asset, financial liability and equity instrument are disclosed in the accounting policies in the 2009 Annual report and accounts. The accounting policy applied in respect of the Group's interest rate swap is set out above.

Categories of financial instruments

	28 weeks ended 11 July 2010 £'000	28 weeks ended 12 July 2009 £'000	52 weeks ended 27 December 2009 £'000
Financial assets – classified as cash and receivables			
Other receivables	266	110	342
Cash at bank balances	6,085	4,515	3,588
	6,351	4,625	3,930
Financial liabilities – measured at amortised cost			
Borrowings	47,376	3,715	12,527
Trade payables	3,352	890	2,194
Other payables	3,773	267	265
Accruals	1,741	551	527
	56,242	5,423	15,513
Derivative used for hedging			
Interest rate swap	1,450	—	—
	1,450	—	—

Borrowing facilities

The Group had no undrawn borrowing facilities available at the period end.

Risk management

The main risks arising from the Group's financial instruments are interest rate risk and liquidity risk.

The Group is not subject to significant credit risk due to the nature of the Group's business which is cash based. The total exposure in respect of credit risk is £9.8 million comprising £4.9 million cash (excluding cash in machines) and £4.9 million other receivables. Credit reports on counterparties are reviewed to manage this risk and there was no indication of significant risk at the period end.

The Group has no exposure to foreign currency risk as it has minimal overseas transactions in terms of exploring future acquisitions, or pricing risk (no financial instruments carried at market value). The Group does not use derivative financial instruments for speculative purposes.

Interest rate risk

The Group finances its operations through a mixture of retained cash, bank borrowings and loan notes. At the end of the period the Group held borrowings as follows:

Loan	Amount £'000	Repayment terms	Interest rate
Bank	42,000	Amortising loan with final bullet payment in April	LIBOR +3%

		2015		
Loan notes	6,500	Redeemable/convertible	October 2014	11%
Pension loan	295	Amortising loan to	September 2013	Base rate +3%
Cash deposits	(3,548)	On demand		Negligible

As a part of the acquisition of Beacon Entertainments Limited, the Group acquired a fixed interest rate swap which has been renegotiated such that the Group receives interest at the floating LIBOR rate and pays a fixed rate of interest on £30.0 million of notional debt, which reduces to £17.1 million over the next five years, at a interest rate of 2.45%, which increases to 4.10% over the next five years.

The Group analyses its interest rate exposure on its variable rate borrowings in order to identify its potential exposure to changes in UK interest rates on its variable rate debt.

Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its liabilities as they fall due. It should be noted that this is a cash business, there are no trade receivables and trade payables primarily relate to fixed overhead costs. The Group seeks to manage this risk by ensuring sufficient liquidity is available to meet foreseeable needs and investing cash assets safely and profitably. The Group reviews its available cash position against current liabilities on a regular basis taking into account the dates on which liabilities fall due. The Group currently holds all deposits on demand. The contractual maturity of the financial liabilities is presented below.

Contractual maturity of financial liabilities

As at 11 July 2010

	Trade and other payables	Bank loan	Loan notes	Interest rate swap	Pension loan	Total
	2010	2010	2010	2010	2010	2010
	£'000	£'000	£'000	£'000	£'000	£'000
On demand	7,125	—	—	—	—	7,125
Within one year	—	3,000	—	—	50	3,050
Between one and five years	—	37,443	6,637	1,450	245	45,775
	7,125	40,443	6,637	1,450	295	55,950

As at 27 December 2009

	Trade and other payables	Bank loan	Loan notes	Pension loan	Total
	2009	2009	2009	2009	2009
	£'000	£'000	£'000	£'000	£'000
On demand	2,459	—	—	—	2,459
Within one year	—	4,250	—	—	4,250
Between one and five years	—	1,345	6,637	295	8,277
	2,459	5,595	6,637	295	14,986

Management and capital

The capital employed by the Group is composed of equity attributable to shareholders. The primary objective of the Group is maximising shareholders' value through growth by acquisition. The capital structure is therefore maintained at a level suitable for the Group's size, strategy and underlying business risk. There are no external demands or restrictions on the Group's capital. As noted previously, during the period the Group repaid £3.8 million of bank debt and acquired £40.0 million of bank debt as a part of the Beacon acquisition. The acquired bank debt together with the Group's existing £2.0million bank debt was renegotiated at the time of the Beacon acquisition. The directly attributable costs relating to the bank debt amounted to £1.5 million.

Fair values of financial assets and financial liabilities

At 11 July 2010, 27 December 2009 and 12 July 2009 all of the book values of the Group's financial assets and liabilities were considered to equate to the fair value, with the exception of the Group's fixed interest rate swap. Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than a forced or liquidation sale, and excludes accrued interest. Where available, market values have been used to determine fair values. Where market values are not available, fair values have been calculated by discounting expected cash flows at prevailing interest rates. The fair value of the interest rate swap is set out below and has been valued by the bank who provided the interest rate swap.

	£,000
Interest rate swap fair value:	
Fair value liability at acquisition	1,350
Transfer to finance costs in the period	(255)
Fair value loss since acquisition	355
Fair value liability at 11 July 2010	1,450

In the case of bank loans and cash deposits, the fair value approximates to the carrying value reported in the Consolidated statement of financial position as all balances are at floating rate where payments are reset to market rates at intervals of less than one year.

On 2 March 2010, the shareholders approved the necessary resolutions to grant conversion rights to the loan notes. As a result, the loan notes as originally presented in the accounts were de-recognised and the convertible loan note instrument was recognised in the accounts at the fair value of its respective debt and equity elements.

12. Authorised and issued share capital

	11 July 2010	12 July 2009	27 December 2009
Authorised			
Ordinary shares of 1 pence each:			
– number	400,000,000	400,000,000	400,000,000
– nominal value	4,000,000	40,000,000	40,000,000
Deferred ordinary shares of 9 pence each:			
– number	400,000,000	—	—
– nominal value	36,000,000	—	—
Total nominal value authorised	40,000,000	40,000,000	40,000,000
Issued, called up and fully paid			
Ordinary shares of 1 pence each:			
– number	363,446,972	220,113,638	220,113,638
– nominal value	3,634,470	22,011,364	22,011,364
Deferred ordinary shares of 9 pence each:			
– number	220,113,638	—	—
– nominal value	19,810,227	—	—
Total nominal value issued	23,444,697	22,011,364	22,011,364

	Share capital £'000
At 27 December 2009	22,011
Share issue 30 March 2010	800
Share issue 20 April 2010	634

On 1 March 2010 the share capital of the Company was reorganised by subdividing each existing ordinary share of 10 pence into one new ordinary share of 1 pence and one deferred share of 9 pence.

The new ordinary shares have the same rights (including voting and dividend rights) as each previously issued ordinary share had. The rights attaching to the deferred shares can be summarised as follows:

- they do not entitle holders to receive any dividend or other distribution or to receive notice or speak or vote at general meetings of the Company;
- on a return of assets on a winding up, they only entitle the holder to the amounts paid up on such shares after the repayment of £10 million per new ordinary share;
- they are not freely transferable;
- the creation and issue of further shares which rank equally or in priority to the deferred shares or the passing of a resolution of the Company to cancel the deferred shares or to effect a reduction of capital shall not constitute a modification or abrogation of their rights; and
- the Company shall have the right at any time to purchase all of the shares of an aggregate consideration of £1.00.

The Company announced on 2 March 2010 that the shareholders had approved the necessary resolutions to grant conversion rights to the loan notes, which are now convertible to ordinary shares at a conversion price of 9.0 pence per share. In addition, on 30 March 2010, the Company completed the placing of 80,000,000 ordinary shares of 1 pence each at a placing price of 7.5 pence per share to raise £6.0 million before expenses.

On 20 April 2010, the Group completed the acquisition of Beacon Entertainments Limited for £5.0 million (excluding fees) payable by a combination of 63,333,334 ordinary shares to the vendors at a price of 7.5 pence per share and £272,500 in cash. Subject to the fulfilment of certain conditions, the vendors may also receive up to 28,500,000 additional ordinary shares. The Group assumed £40.0 million in secured bank debt as a part of that acquisition. The directly attributable costs of the two share issues summarised above of £448,000 have been charged to the share premium account.

13. Other reserves

As at 11 July 2010

	Note	Convertible bond	Hedging reserve	Share-based payment reserve	Total
At 27 December 2009		—	—	168	168
Cash flow hedge:					
Fair value loss since acquisition		—	(355)	—	(355)
Tax on fair value loss since acquisition		—	99	—	99
Transfer to finance costs in the period	6	—	255	—	255
Tax on transfer to finance costs		—	(71)	—	(71)
Convertible loan note equity component		385	—	—	385
Tax on equity component on convertible loan note		(109)	—	—	(109)
Share-based payment charges		—	—	24	24
At 11 July 2010		276	(72)	192	396

The expense of share-based payments has arisen from the EMI scheme. Full details relating to the Group share schemes as at 27 December 2009 are provided in the Annual report and accounts 2009. On 10 June 2010, the Company issued 23.8 million share options to the senior and middle manager of the Group under a new unapproved EMI share option scheme. Details of the new share option scheme and the valuation assumptions applied are set out below:

• Ordinary share price at date of grant per share	7.5 pence
• Exercise price per share	12.0 pence
• Volatility	25%
• Expected life	3 years
• Divided yield	—
• Risk free rate	4%
• IFRS 2 fair value per share	4.3 pence

The fair value has been determined using the Black-Scholes-Merton model. The expected volatility was determined by reference to historical volatilities. The risk free rate is based on UK Government bond yields. There are no performance criteria attached to these options.

14. Related party transactions

Marwyn Value Investors LP, a substantial shareholder in the Company, is managed on an arm's length basis by Marwyn Investment Management LLP. Marwyn Value Investors LP currently holds 102,104,397 ordinary shares via its nominee, Vidacos Nominees Limited, representing 27.1% of the issued equity of the Company. Two of the Non-executive Directors are partners of Marwyn Capital LLP and Marwyn Investment Management LLP and are directors and shareholders of various Marwyn group companies.

During the 28 weeks ended 11 July 2010, Marwyn Capital LLP invoiced the Company £544,854 in fees relating to corporate finance advisory services and Directors' fees (28 weeks ended 12 July 2009: £366,750; 52 weeks ended 27 December 2009: £1,068,017).

During the 28 weeks ended 11 July 2010, the Company paid Marwyn Partners Limited £Nil for office and infrastructure expenses (28 weeks ended 12 July 2009: £34,500; 52 weeks ended 27 December 2009: £36,302). The accommodation and support services agreement with Marwyn Partners Limited was terminated by the Company during 2009.

As at 11 July 2010, the Company owed Marwyn Capital LLP £18,604 (28 weeks ended 12 July 2009: £123,625; 52 weeks ended 27 December 2009: £524,019) and Marwyn Partners Limited £1,713 (28 weeks ended 12 July 2009: £3,333; 52 weeks ended 27 December 2009: £1,028). No amounts have been written off or impaired during the period.

Marwyn Management Partners LLP has been granted the Marwyn Participation Option, the details of which are described in the accounting policies and in note 23 to the Annual Report and Accounts 2009.

As at 11 July 2010, Marwyn Value Investors LP held loan notes of £6,470,000 and Mr Proctor held loan notes of £30,000. Details of the loan notes are set out in note 17 to the Annual Report and Accounts 2009.

15. Obligations under operating leases

Future minimum rentals payable under non-cancellable operating leases at 11 July 2010 are as follows:

	11 July	12 July	27 December
	2010	2009	2009
	£'000	£'000	£'000
Within one year	103	9	25
After one year but not more than five years	2,334	1,035	915
More than five years	36,544	7,999	25,977
	38,981	9,043	26,917

16. Contingent liabilities and contingent assets

As at 11 July 2010 the Group had received £5.6 million (and interest of £0.4 million) from HMRC in relation to VAT previously paid on mechanised cash bingo and main stage bingo following the High Court's decision on the Rank case.

The receipt of £5.6 million is split between monies due to Thomas Holdings Limited (in its capacity as VAT group representative member) for the period prior to August 2006, and monies due to the previous shareholders of Beacon Entertainments Limited for the period after August 2006 to 20 April 2010. These receipts have not been booked to the profit and loss account.

The receipts relating to the period prior to August 2006 are payable to the previous shareholders of Thomas Estates Limited in accordance with the Sale and Purchase Agreement dated August 2006 and the Deed of Variation dated January 2010. Any payments made under the Sale and Purchase Agreement or the Deed of Variation are to be treated as deferred consideration for the investment made by a member of the Group, Mayfair Acquisitionco Limited, in Thomas Holdings Limited. The receipts relating to the period post August 2006 to 20 April 2010 are to be paid to the previous shareholders of Beacon Entertainments Limited in accordance with the Sale and Purchase Agreement dated 20 April 2010. As at 11 July 2010 £3.4 million had been received in respect of VAT claims relating to the period prior to August 2006, and this amount is payable to the previous shareholders, the Thomas family, net of corporation tax. There is currently uncertainty surrounding the assessment of the income to corporation tax, so any potential tax liability due on the income is being held in escrow.

During the 28 weeks ended 11 July 2010 £2.3 million has been paid to the Thomas family, which represented the receipts to date of £3.1 million less corporation tax at 28% amounting to £0.8 million.

The Group has also received £2.6 million of VAT relating to claims for the period post August 2006 and this amount was repaid to HMRC during the period pending the consultation of HMRC's appeal of the Rank case. At 26 April 2009, Beacon Entertainments Limited, through its subsidiary, Thomas Estates Limited, recognised a debtor relating to these VAT claims of £700,000 and this continues to be held in the accounts at 11 July 2010. In accordance with the Articles of Association of Beacon Entertainments Limited, any VAT receipts in excess of the April 2009 debtor are to be paid to the Class E shareholders of Beacon Entertainment Limited by way of a dividend. These amounts will become finally payable once HMRC has lost the right of appeal in respect of the VAT reclaims.

HMRC have informed the Group that they are to issue protective assessments on all of the refunds received by the Group, in accordance with their intention to appeal against the Rank decision in every available court.

The Directors believe that given the material uncertainty in respect of the eventual outcome of the Rank case, it would be inappropriate to recognise the VAT reclaims as income in the interim accounts as at 11 July 2010. The Directors also believe it would be inappropriate to accrue for any future VAT receipts that have been agreed with HMRC, subject to the outcome of the appeal, as they do not meet the recognition criteria under IAS 37 for a contingent asset due to the uncertainty involved.

At 11 July 2010 there are future potential receipts of £11.0 million in respect of other VAT reclaim amounts due to be paid to the Thomas family and £3.6 million (in addition to the £2.6 million previously received but repaid to HMRC in the period) in respect of other VAT reclaim amounts due to the previous shareholders of Beacon Entertainments Limited. These also have not been recognised in the interim accounts.

17. Events after the reporting date

On 20 September 2010, the Group acquired eight operating AGCs for a total consideration of £1.0 million (excluding deal costs), from various members of the Noble Organisation. The consideration was funded through the issue of 13,333,333 new ordinary shares in Praesepe to Falcombe Holdings Limited, a company connected to the rest of the Noble Organisation by common ownership.