

Registered number: 02050734

MEGABET UK LTD.

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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COMPANIES HOUSE

MEGABET UK LTD.

COMPANY INFORMATION

DIRECTORS

S D Fisher
Mrs A P Fisher
E McCormick
I Blackburn

COMPANY SECRETARY

I Blackburn

REGISTERED NUMBER

02050734

REGISTERED OFFICE

Pinetree Business Centre
Durham Road
Birtley
Chester Le Street
DH3 2TD

INDEPENDENT AUDITORS

James Cowper Kreston
Chartered Accountants and Statutory Auditor
Mill House
Overbridge Square
Hambridge Lane
Newbury
Berkshire
RG14 5UX

MEGABET UK LTD.

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MEGABET UK LTD.

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

Business review

2016 was another difficult year on the UK High Streets, with the effect of duty increases and external costs impacting upon the profitability of each betting shop. These costs continue to outpace growth with a full year of the higher-rate MGD, ever-increasing media costs and the knock-on effect of the introduction of the National Living Wage.

The number of the trading sites in the estate reduced by three during 2016 as the Board look to offload those shops that are unable to contribute positively. The strategy continues to be towards consolidating the existing business and utilising cash generated to modernise and refurbish some of the older stores.

Write-offs of loans to international partners due to local legislative changes or uncertainty provided very large exceptional losses, but now leaves the Board free to concentrate on a single focus to rationalise underperforming outlets and continue to improve the core business of the UK retail betting shops.

Late in 2016 the business acquired 37 shops from the Ladbrokes-Coral merger, although most didn't complete until 2017 quarter one. Whilst the headline price paid was good value, the very nature of the availability of these shops means that they are each highly competitive and the challenge will be to hold on to enough of the business to justify the investment.

Principal risks and uncertainties

Financial Risk management

The Group's principal financial instruments comprise cash and cash equivalents. The directors do not consider that there is any significant credit risk due to the cash nature of the business.

In order to maintain liquidity and have funding available for future developments the company maintains surplus funds in readily accessible bank and deposit accounts.

Bookmaking Risk management

To maximise profits and minimise financial risk, the company actively manages trading risk by maintaining staking limits to levels appropriate to our size of business.

The betting patterns of high-risk customers are monitored and reviewed at regular periods.

Being cognisant that we are primarily a cash-based business, we have integrated a wide range of security tools into our business processes to minimise the opportunity for customer or staff fraud.

The company has installed high quality alarms, CCTV and other physical security features to help protect the welfare of staff and customers from physical security breaches.

Competitor risk

Whilst the Group faces strong competition on the high street from the national bookmakers, we remain confident in our ability to provide a highly competitive offering for our customers. The Board and senior management constantly monitor and review the strategic and promotional activity of our peers and have the ability to react quickly to any significant changes.

The continued growth of the internet and mobile betting platforms provides a threat to business levels within the shop estate. Rolling-year trends and comparatives are routinely measured and the board remain vigilant for new ideas and technologies that will improve the experience of our retail customers.

Business environment and outlook

The forthcoming and overdue Government Triennial review has become the biggest risk to the viability of the UK betting shop and the employees of the industry.

MEGABET UK LTD.

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

The claims made by anti-gambling groups continue to attract sensationalist media and politicians, but it is hoped that the continued absence of any supporting evidence will eventually prove to be of relevance.

Despite the difficult economic and trading conditions on the UK high street, the directors remain committed to the long-term business and look forward to 2017 and beyond with cautious optimism.

Financial key performance indicators

Given the high level of goodwill amortisation from the relatively large acquisitions in 2012 and now 2016, the board consider EBITDA and cash generation to be key financial performance measures. Whilst disappointed with the financial outcome, the Board are satisfied that progress continues to be made with the core operations under difficult trading conditions. Excluding exceptional items, the underlying business produced EBITDA of £554,385 (£717,169 in 2015) and generated cash from operating activities of £1,168,783 (2015: £1,090,905).

Control of operating costs and management of 'intensive care' shops form the key strategies for 2017 and beyond.


Other key performance indicators

In addition to the financial key performance indicators, Megabet are committed to supporting, managing and measuring compliance to the Gambling Commission's three key licensing objectives:

- Keep crime out of gambling,
- Ensure gambling is conducted fairly and openly, and
- Protect children and vulnerable people from being harmed or exploited by gambling.

The objectives are incorporated into training and working practices and compliance monitored by senior management on a routine and regular basis.

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


.....
I Blackburn
Director

Date: 20 October 2017

MEGABET UK LTD.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

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

PRINCIPAL ACTIVITY

The principal activity of the group during the year under review was that of off-course bookmaking.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £5,019,854 (2015 - loss £233,578).

No dividends were paid or proposed during the year.

DIRECTORS

The directors who served during the year were:

S D Fisher
Mrs A P Fisher
E McCormick
I Blackburn

ENVIRONMENTAL MATTERS

The Group will seek to minimise adverse impacts on the environment from its activities, whilst continuing to address health, safety and economic issues. The Group has complied with all applicable legislation and regulations.

FUTURE DEVELOPMENTS

In common with other bookmakers and other industries, the continued impact of the economic downturn represents the single greatest risk to the business.

The claims made by anti-gambling groups continue to attract sensationalist media and politicians, but it is hoped that the continued absence of any supporting evidence will eventually prove to be of relevance.

Despite the difficult economic and trading conditions, the directors remain committed to the long-term business and look forward to 2017 and beyond with cautious optimism.

The company is set to continue to pursue its strategy of consolidating and maximising the output of the existing shop estate.

EMPLOYEE INVOLVEMENT

We update our employees on a regular basis with business developments and progress through intranet publications, newsletters, Regional Manager's notes and face-to-face meetings.

DISABLED EMPLOYEES

In accordance with our Equal Opportunities Policy, we recruit, train and develop employees who meet the requirements of the job role regardless of gender, ethnic origin, age, religion, sexual orientation or disability. The policy recognises that people with disabilities can often be denied a fair chance at work because of misconceptions about their capabilities and seeks to enhance the opportunities available by attempting, wherever possible, to overcome obstacles, such as the need to modify equipment, restructure jobs or to improve access to premises, provided such action does not compromise health and safety standards.

MEGABET UK LTD.

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

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the group strategic report, the directors' report and the consolidated financial statements in accordance with applicable law and regulations.

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

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group'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 Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DISCLOSURE OF INFORMATION TO AUDITORS


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

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

AUDITORS

The auditors, James Cowper Kreston, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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


.....
I Blackburn
Director

Date: 20 October 2017

MEGABET UK LTD.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MEGABET UK LTD.

We have audited the financial statements of Megabet UK Ltd. for the year ended 31 December 2016, set out on pages 7 to 35. The relevant financial reporting framework that has been applied in their preparation is applicable law and the 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'.

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 auditors' 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.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the directors' responsibilities statement on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 December 2016 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit, the information given in the group strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with those financial statements and such reports have been prepared in accordance with applicable legal requirements.

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

MEGABET UK LTD.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MEGABET UK LTD. (CONTINUED)

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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



Jonathan Baillie BA (Hons) FCCA (Senior Statutory Auditor)

for and on behalf of

James Cowper Kreston

Chartered Accountants and Statutory Auditor

Mill House
Overbridge Square
Hambridge Lane
Newbury
Berkshire
RG14 5UX

25 October 2017

MEGABET UK LTD.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 £	As restated 2015 £
Gross amounts wagered		117,664,859	126,698,887
Turnover			
Group and share of joint ventures' turnover		22,076,183	23,375,592
Less: share of joint ventures' turnover		(2,252,488)	(2,274,569)
Group turnover		19,823,695	21,101,023
Cost of sales		(13,860,833)	(14,499,686)
Gross profit		5,962,862	6,601,337
Administrative expenses		(7,014,959)	(7,676,986)
Exceptional administrative expenses		(4,276,475)	-
Other operating income	5	161,466	165,133
Operating loss	6	(5,167,106)	(910,516)
Share of profit of joint venture		(17,180)	29,787
Total operating loss		(5,184,286)	(880,729)
Amounts written off investments		-	198,904
Interest receivable and similar income	10	170,151	140,568
Interest payable and expenses		(12,625)	(34,492)
Loss before taxation		(5,026,760)	(575,749)
Tax on loss	11	6,906	342,171
Loss for the year		(5,019,854)	(233,578)
(Loss) for the year attributable to:			
Owners of the parent Company		(5,019,854)	(233,578)

The notes on pages 14 to 35 form part of these financial statements.

MEGABET UK LTD.
REGISTERED NUMBER: 02050734

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2016

	Note	2016 £	As restated 2015 £
Fixed assets			
Intangible assets	12	846,723	1,334,006
Tangible assets	13	3,367,442	4,220,987
Investments	14	475,358	495,936
		<u>4,689,523</u>	<u>6,050,929</u>
Current assets			
Stocks	15	316,877	250,807
Debtors: amounts falling due within one year	16	2,554,672	6,269,863
Cash at bank and in hand	17	2,354,413	1,723,234
		<u>5,225,962</u>	<u>8,243,904</u>
Creditors: amounts falling due within one year	18	<u>(4,010,668)</u>	<u>(3,110,900)</u>
Net current assets		<u>1,215,294</u>	<u>5,133,004</u>
Total assets less current liabilities		<u>5,904,817</u>	<u>11,183,933</u>
Creditors: amounts falling due after more than one year	19	-	(259,262)
Net assets		<u><u>5,904,817</u></u>	<u><u>10,924,671</u></u>
Capital and reserves			
Called up share capital	23	124	124
Profit and loss account	24	5,904,693	10,924,547
Equity attributable to owners of the parent Company		<u><u>5,904,817</u></u>	<u><u>10,924,671</u></u>

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


.....
I Blackburn
Director

Date: 20 October 2017


The notes on pages 14 to 35 form part of these financial statements.

MEGABET UK LTD.
REGISTERED NUMBER: 02050734

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2016

	Note	2016 £	2015 £
Fixed assets			
Intangible assets	12	767,721	1,255,004
Tangible assets	13	3,356,642	4,220,987
Investments	14	435,423	1,315,689
		<u>4,559,786</u>	<u>6,791,680</u>
Current assets			
Stocks	15	24,710	35,210
Debtors: amounts falling due within one year	16	2,622,397	5,307,036
Cash at bank and in hand	17	2,222,789	1,437,482
		<u>4,869,896</u>	<u>6,779,728</u>
Creditors: amounts falling due within one year	18	<u>(3,886,646)</u>	<u>(3,016,999)</u>
Net current assets		<u>983,250</u>	<u>3,762,729</u>
Total assets less current liabilities		<u>5,543,036</u>	<u>10,554,409</u>
Creditors: amounts falling due after more than one year	19	-	(259,264)
Net assets		<u><u>5,543,036</u></u>	<u><u>10,295,145</u></u>
Capital and reserves			
Called up share capital	23	124	124
Profit and loss account	24	5,542,912	10,295,021
		<u><u>5,543,036</u></u>	<u><u>10,295,145</u></u>

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


.....
I Blackburn
Director

Date: 20 October 2017

MEGABET UK LTD.

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

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2016 (as previously stated)	124	10,845,804	10,845,928
Prior year adjustment	-	78,743	78,743
At 1 January 2016 (as restated)	<u>124</u>	<u>10,924,547</u>	<u>10,924,671</u>
Loss for the year	-	(5,019,854)	(5,019,854)
At 31 December 2016	<u><u>124</u></u>	<u><u>5,904,693</u></u>	<u><u>5,904,817</u></u>

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

	Called up share capital	Revaluation reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2015 (as previously stated)	124	-	11,101,053	11,101,177
Prior year adjustment	-	(21,811)	58,081	36,270
At 1 January 2015 (as restated)	<u>124</u>	<u>(21,811)</u>	<u>11,159,134</u>	<u>11,137,447</u>
Loss for the year	-	-	(233,578)	(233,578)
Deficit on revaluation of freehold property	-	-	(1,009)	(1,009)
Surplus on revaluation of other fixed assets	-	20,802	-	20,802
Transfer to/from profit and loss account	-	1,009	-	1,009
At 31 December 2015	<u><u>124</u></u>	<u><u>-</u></u>	<u><u>10,924,547</u></u>	<u><u>10,924,671</u></u>

The notes on pages 14 to 35 form part of these financial statements.

MEGABET UK LTD.

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

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2016	124	10,295,021	10,295,145
Loss for the year	-	(4,752,109)	(4,752,109)
At 31 December 2016	124	5,542,912	5,543,036

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

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2015	124	11,348,346	11,348,470
Loss for the year	-	(1,053,325)	(1,053,325)
At 31 December 2015	124	10,295,021	10,295,145

The notes on pages 14 to 35 form part of these financial statements.

MEGABET UK LTD.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016**

	2016 £	2015 £
Cash flows from operating activities		
Loss for the financial year	(5,019,854)	(233,578)
Adjustments for:		
Amortisation of intangible assets	659,014	687,910
Depreciation of tangible assets	786,002	909,988
Impairments of fixed assets	-	332,573
(Profit)/Loss on disposal of fixed assets	(67,794)	108,617
Interest paid	8,166	34,492
Interest received	(169,887)	(140,567)
Taxation charge	(6,906)	(342,171)
(Increase) in stocks	(66,070)	(60,848)
(Increase)/decrease in debtors	(538,397)	102,051
Increase in creditors	1,290,951	278,614
Share of operating profit/(loss) in joint ventures	22,093	(29,787)
Corporation tax (paid)	(3,495)	(3,241)
Profit on disposal of joint venture	-	(531,477)
Fair value movement	(1,515)	(21,671)
Exceptional related party debt write off	4,276,475	-
Net cash generated from operating activities	1,168,783	1,090,905
Cash flows from investing activities		
Purchase of intangible fixed assets	(171,731)	(44,688)
Purchase of tangible fixed assets	(569,063)	(157,663)
Sale of tangible fixed assets	704,400	697,007
Interest received	169,887	140,520
Deferred acquisition payments	-	(600,000)
Loans made to related companies	-	(315,440)
Loans repaid by joint ventures	(3,669)	15,508
Net cash from investing activities	129,824	(264,756)

MEGABET UK LTD.

**CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016**

	2016 £	2015 £
Cash flows from financing activities		
Repayment of loans	(659,262)	(409,769)
Interest paid	(8,166)	(34,492)
Net cash used in financing activities	<u>(667,428)</u>	<u>(444,261)</u>
Net increase in cash and cash equivalents	631,179	381,888
Cash and cash equivalents at beginning of year	<u>1,723,234</u>	<u>1,341,346</u>
Cash and cash equivalents at the end of year	<u><u>2,354,413</u></u>	<u><u>1,723,234</u></u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	<u>2,354,413</u>	<u>1,723,234</u>
	<u><u>2,354,413</u></u>	<u><u>1,723,234</u></u>

MEGABET UK LTD.

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

1. General information

Megabet UK Ltd. is a private company limited by share capital incorporated in England and Wales. The group operates from a number of sites throughout the UK. The principal activity of the group is that of off-course bookmaking.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

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

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Group and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 1 January 2014.

2.3 Associates and joint ventures

An entity is treated as a joint venture where the Group is a party to a contractual agreement with one or more parties from outside the Group to undertake an economic activity that is subject to joint control.

An entity is treated as an associated undertaking where the Group exercises significant influence in that it has the power to participate in the operating and financial policy decisions.

In the consolidated accounts, interests in associated undertakings are accounted for using the equity method of accounting. Under this method an equity investment is initially recognised at the transaction price (including transaction costs) and is subsequently adjusted to reflect the investors share of the profit or loss, other comprehensive income and equity of the associate. The consolidated statement of comprehensive income includes the Group's share of the operating results, interest, pre-tax results and attributable taxation of such undertakings applying accounting policies consistent with those of the Group. In the consolidated balance sheet, the interests in associated undertakings are shown as the Group's share of the identifiable net assets, including any unamortised premium paid on acquisition.

Any premium on acquisition is dealt with in accordance with the goodwill policy.

MEGABET UK LTD.

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

2. Accounting policies (continued)

2.4 Going concern

The group made a loss before tax of £5,026,760 (2015: £575,749) due mainly to exceptional write downs of amounts owed by related parties and high levels of depreciation and amortisation. Given the high level of goodwill amortisation from the relatively large acquisitions in 2012 and now 2016, the board consider EBITDA and cash generation to be key financial performance indicators of the group. During the year, excluding exceptional items, the group generated EBITDA of £554,385 (2015: EBITDA of £717,169), generated cash from operating activities of £1,168,783 (2015: £1,090,905) and at the year end had net assets of £5,904.817.

The directors have prepared forecasts for the 2017 financial year end and beyond which show sufficient funds will be available for the group to continue to meet its liabilities as they fall due.

For the above reasons the directors believe that it is appropriate for the accounts to be prepared on a going concern basis.

2.5 Revenue

Revenue represents stakes received by the company in respect of bookmaking transactions placed on events which occurred before the period end, less the amounts paid to winning customers.

Stakes received are not recognised as turnover until the result of the event(s) on which the stake is placed is known. The amount is included as deferred income until this time. This policy is considered reasonable as it matches the stake with any payout made.

2.6 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the consolidated statement of comprehensive income over its useful economic life, which is considered to be 5 years.

2.7 Tangible fixed assets

Tangible fixed assets under the cost model 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.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

The estimated useful lives range as follows:

Freehold property	- 2% straight line
Short-term leasehold property	- Over the period of the lease and over a period of 15 years for improvements
Motor vehicles	- 25% reducing balance
Fixtures and fittings	- 12.5% to 20% straight line
Computer equipment	- 25% straight line

MEGABET UK LTD.

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

2. Accounting policies (continued)

2.8 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.9 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in listed company shares are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in profit or loss for the period.

2.10 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 balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.11 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.

2.12 Bloodstock

Bloodstock is included at the lower of cost or valuation at the balance sheet date.

The cost of the homebred foals is determined as the aggregate of the cost of keep of the broodmares for one year and the cost of the nomination.

The costs of the foals and yearlings is increased by the cost of keep from the date of weaning, which is assumed to be 1 October, until the earlier of the date of transfer to training or 30 June of the year in which the horse reaches two years of age.

2.13 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

MEGABET UK LTD.

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

2. Accounting policies (continued)

2.14 Financial instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the consolidated statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.15 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

MEGABET UK LTD.

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

2. Accounting policies (continued)

2.16 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

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 consolidated statement of comprehensive income except when deferred in other comprehensive income as qualifying cash flow hedges.

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

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

2.17 Finance costs

Finance costs are charged to the consolidated statement of comprehensive income over the term of the debt using the effective interest 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.

2.18 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to the consolidated statement of comprehensive income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The Group 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.

MEGABET UK LTD.

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

2. Accounting policies (continued)

2.19 Leased assets: the Group as lessee

Assets obtained under hire purchase contract 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 consolidated statement of comprehensive income so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

2.20 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the consolidated statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the Group in independently administered funds.

2.21 Onerous leases

Where the unavoidable costs of a lease exceed the economic benefit expected to be received from it, a provision is made for the present value of the obligations under the lease.

2.22 Interest income

Interest income is recognised in the consolidated statement of comprehensive income using the effective interest method.

2.23 Borrowing costs

All borrowing costs are recognised in the consolidated statement of comprehensive income in the year in which they are incurred.

2.24 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the consolidated statement of comprehensive income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet.

MEGABET UK LTD.

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

2. Accounting policies (continued)

2.25 Current and deferred taxation

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

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet 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.

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 tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.26 Exceptional items

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

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

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

The preparation of the financial statements 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 year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Taxation

The company establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provisions is based on various factors, such as experience with previous tax submissions. Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

Tangible Fixed Assets

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. Residual value assessments consider issues such as the remaining life of the asset and projected disposal values.

Goodwill

The company establishes a reliable estimate of the useful life of goodwill and intangible assets arising on business combinations. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected usual life of the assets to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

Provisions

Provisions are estimated by the company based upon past experiences from similar contracts and with knowledge of known issues that management are confident will result in an outflow of economic benefit from the company.

4. Turnover

An analysis of turnover by class of business is as follows:

	2016 £	2015 £
Breeding of racehorses	169,049	475,125
Gross amounts wagered	117,664,859	126,698,887
Less amounts paid out on winning bets	(98,010,213)	106,072,990)
	<u>19,823,695</u>	<u>21,101,022</u>

All turnover arose within the United Kingdom.

MEGABET UK LTD.

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

5. Other operating income

	2016 £	2015 £
Other operating income	48,029	44,062
Net rents receivable	108,797	111,711
Fees receivable	4,640	9,360
	<u>161,466</u>	<u>165,133</u>

6. Operating loss

The operating loss is stated after charging:

	2016 £	2015 £
Depreciation of tangible fixed assets	786,002	909,988
Impairment of tangible fixed assets	-	332,573
Amortisation of intangible assets, including goodwill	659,014	687,909
Exchange differences	(424,492)	150,229
Other operating lease rentals	2,239,407	2,048,451
Defined contribution pension cost	44,277	44,856
	<u>786,002</u>	<u>909,988</u>

7. Auditors' remuneration

	2016 £	2015 £
Fees payable to the Group's auditor and its associates for the audit of the Group's annual accounts	38,500	38,500
	<u>38,500</u>	<u>38,500</u>
Fees payable to the Group's auditor and its associates in respect of:		
Other services relating to taxation	5,000	7,000
All other services	-	2,000
	<u>5,000</u>	<u>9,000</u>

MEGABET UK LTD.

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

8. Employees

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

	2016 £	2015 £
Wages and salaries	5,170,903	5,434,425
Social security costs	373,298	383,345
Cost of defined contribution scheme	44,277	44,856
	<u>5,588,478</u>	<u>5,862,626</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2016 No.	2015 No.
Administration and head office	9	11
Sales	375	409
	<u>384</u>	<u>420</u>

9. Directors' remuneration

	2016 £	2015 £
Directors' emoluments	315,144	290,030
	<u>315,144</u>	<u>290,030</u>

During the year retirement benefits were accruing to 2 directors (2015 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £122,247 (2015 - £111,098).

10. Interest receivable

	2016 £	2015 £
Share of joint ventures' interest receivable	264	47
Other interest receivable	169,887	140,521
	<u>170,151</u>	<u>140,568</u>

MEGABET UK LTD.

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

11. Taxation

	2016 £	2015 £
Corporation tax		
Current tax on profits for the year	-	2,047
	-	2,047
Total current tax	-	2,047
Deferred tax		
Origination and reversal of timing differences	(6,906)	(171,827)
Effect of decreased tax rate on opening liability	-	22,698
Adjustment in respect of prior periods	-	(195,089)
Total deferred tax	(6,906)	(344,218)
Taxation on loss on ordinary activities	(6,906)	(342,171)

Factors affecting tax charge for the year

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

	2016 £	2015 £
Profit on ordinary activities before tax	(5,026,760)	(575,749)
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.25%)	(1,005,352)	(120,978)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	670,255	19,020
Fixed asset differences	278,175	114,915
Utilisation of tax losses	-	(49,020)
Higher rate taxes on overseas earnings	-	(3,395)
Adjustments to deferred tax in respect of prior periods	-	(195,089)
Capital gains	50,016	-
Non taxable profit on disposal of joint venture	-	(107,624)
Total tax charge for the year	(6,906)	(342,171)

MEGABET UK LTD.

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

11. Taxation (continued)

Factors that may affect future tax charges

Legislation has been passed to reduce the rate of UK corporation tax to 19% from 1 April 2017 and 17% from 1 April 2020. However, these rates were substantially enacted at the balance sheet date and are reflected in the measurement of deferred tax in these financial statements. The future impact of the changes on the deferred tax liability is not considered material.

12. Intangible assets

Group

	Licenses £	Goodwill £	Total £
Cost			
At 1 January 2016	730,362	7,351,153	8,081,515
Additions	38,429	133,302	171,731
Disposals	-	(346,054)	(346,054)
At 31 December 2016	<u>768,791</u>	<u>7,138,401</u>	<u>7,907,192</u>
Amortisation			
At 1 January 2016	522,222	6,225,287	6,747,509
Charge for the year	33,333	625,681	659,014
On disposals	-	(346,054)	(346,054)
At 31 December 2016	<u>555,555</u>	<u>6,504,914</u>	<u>7,060,469</u>
Net book value			
At 31 December 2016	<u>213,236</u>	<u>633,487</u>	<u>846,723</u>
At 31 December 2015	<u>208,140</u>	<u>1,125,866</u>	<u>1,334,006</u>

MEGABET UK LTD.

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

12. Intangible assets (continued)

Company

	Licenses £	Goodwill £	Total £
Cost			
At 1 January 2016	730,362	7,272,151	8,002,513
Additions	38,429	133,302	171,731
Disposals	-	(346,054)	(346,054)
At 31 December 2016	<u>768,791</u>	<u>7,059,399</u>	<u>7,828,190</u>
Amortisation			
At 1 January 2016	522,222	6,225,287	6,747,509
Charge for the year	33,333	625,681	659,014
On disposals	-	(346,054)	(346,054)
At 31 December 2016	<u>555,555</u>	<u>6,504,914</u>	<u>7,060,469</u>
Net book value			
At 31 December 2016	<u>213,236</u>	<u>554,485</u>	<u>767,721</u>
At 31 December 2015	<u>208,140</u>	<u>1,046,864</u>	<u>1,255,004</u>

MEGABET UK LTD.

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

13. Tangible fixed assets

Group

	Freehold property £	Short-term leasehold property £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation						
At 1 January 2016	2,563,120	814,505	156,501	4,880,926	1,844,910	10,259,962
Additions	-	1,942	-	270,048	297,073	569,063
Disposals	(1,183,920)	(101,812)	(56,011)	(358,907)	(276,317)	(1,976,967)
At 31 December 2016	<u>1,379,200</u>	<u>714,635</u>	<u>100,490</u>	<u>4,792,067</u>	<u>1,865,666</u>	<u>8,852,058</u>
Depreciation						
At 1 January 2016	959,212	599,410	124,222	2,946,831	1,409,300	6,038,975
Charge for the year on owned assets	49,381	32,160	25,386	435,235	243,840	786,002
Disposals	(662,803)	(101,812)	(56,011)	(255,586)	(264,149)	(1,340,361)
At 31 December 2016	<u>345,790</u>	<u>529,758</u>	<u>93,597</u>	<u>3,126,480</u>	<u>1,388,991</u>	<u>5,484,616</u>
Net book value						
At 31 December 2016	<u>1,033,410</u>	<u>184,877</u>	<u>6,893</u>	<u>1,665,587</u>	<u>476,675</u>	<u>3,367,442</u>
At 31 December 2015	<u>1,603,908</u>	<u>215,095</u>	<u>32,279</u>	<u>1,934,095</u>	<u>435,610</u>	<u>4,220,987</u>

The net book value of land and buildings may be further analysed as follows:

	2016 £	2015 £
Freehold	1,033,410	1,603,908
Short leasehold	184,877	215,095
	<u>1,218,287</u>	<u>1,819,003</u>

MEGABET UK LTD.

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

13. Tangible fixed assets (continued)

Company

	Freehold property £	Short-term leasehold property £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation						
At 1 January 2016	2,563,120	814,505	156,501	4,880,926	1,844,910	10,259,962
Additions	-	1,942	-	259,248	297,073	558,263
Disposals	(1,183,920)	(101,812)	(56,011)	(358,907)	(276,317)	(1,976,967)
At 31 December 2016	1,379,200	714,635	100,490	4,781,267	1,865,666	8,841,258
Depreciation						
At 1 January 2016	959,212	599,410	124,222	2,946,831	1,409,300	6,038,975
Charge for the year on owned assets	49,381	32,160	25,386	435,235	243,840	786,002
Disposals	(662,803)	(101,812)	(56,011)	(255,586)	(264,149)	(1,340,361)
At 31 December 2016	345,790	529,758	93,597	3,126,480	1,388,991	5,484,616
Net book value						
At 31 December 2016	1,033,410	184,877	6,893	1,654,787	476,675	3,356,642
At 31 December 2015	1,603,908	215,095	32,279	1,934,095	435,610	4,220,987

The net book value of land and buildings may be further analysed as follows:

	2016 £	2015 £
Freehold	1,033,410	1,603,908
Short leasehold	184,877	215,095
	<u>1,218,287</u>	<u>1,819,003</u>

MEGABET UK LTD.

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

14. Fixed asset investments

Group

	Investments in subsidiary companies £	Listed investments £	Investment in joint ventures £	Total £
Cost or valuation				
At 1 January 2016 (as previously stated)	36,000	34,033	347,160	417,193
Prior Year Adjustment	-	78,743	-	78,743
At 1 January 2016 (as restated)	36,000	112,776	347,160	495,936
Revaluations	-	1,515	-	1,515
Share of profit/(loss)	-	-	(22,093)	(22,093)
At 31 December 2016	36,000	114,291	325,067	475,358
Net book value				
At 31 December 2016	36,000	114,291	325,067	475,358
At 31 December 2015 (as restated)	36,000	112,776	347,160	495,936

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity	Aggregate of share capital and reserves £	Profit/(loss) £
Wansdyke Farms Limited	Ordinary	100 %	Breeding of bloodstock	340,671	(1,121,580)
Wansdyke Farms Limited					

Listed investments

The fair value of the listed investments at 31 December 2016 was £114,291 (2015 - £91,974).

Participating interests

Joint ventures

Name	Country of incorporation	Class of shares	Holding	Principal activity
Betkick Sportwetten Service GmbH	Germany	Ordinary	50%	Bookmaking

MEGABET UK LTD.

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

14. Fixed asset investments (continued)

Company

	Investments in subsidiary companies £	Investment in joint ventures £	Total £
Cost or valuation			
At 1 January 2016	1,220,937	94,752	1,315,689
At 31 December 2016	1,220,937	94,752	1,315,689
Impairment			
Charge for the period	880,266	-	880,266
At 31 December 2016	880,266	-	880,266
Net book value			
At 31 December 2016	340,671	94,752	435,423
At 31 December 2015	1,220,937	94,752	1,315,689

15. Stocks

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Consumables	24,710	35,210	24,710	35,210
Bloodstock	292,167	215,597	-	-
	316,877	250,807	24,710	35,210

MEGABET UK LTD.

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

16. Debtors

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Trade debtors	3,013	21,239	3,372	1,438
Amounts owed by group undertakings	-	1,019,244	193,732	174,385
Amounts owed by joint ventures and associated undertakings	440,683	372,944	440,683	372,944
Other debtors	585,556	3,574,147	578,023	3,555,129
Prepayments and accrued income	1,142,405	906,180	1,023,572	827,031
Deferred taxation	383,015	376,109	383,015	376,109
	2,554,672	6,269,863	2,622,397	5,307,036

Included within other debtors are loans made to companies controlled by S D Fisher, a director and shareholder, of £471,153 (2015: £4,376,272) which have no set repayment terms and there is some uncertainty as to whether these would be recovered within 12 months of the balance sheet date. The directors are confident that these balances will be recovered in full and that it is possible this would be within 12 months of the balance sheet date.

17. Cash and cash equivalents

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Cash at bank and in hand	2,354,413	1,723,234	2,222,789	1,437,482

18. Creditors: Amounts falling due within one year

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Bank loans	-	400,000	-	400,000
Trade creditors	1,113,187	1,006,140	1,001,212	899,450
Amounts owed to group undertakings	-	-	-	30,078
Amounts owed to other participating interests	25,000	25,000	25,000	25,000
Corporation tax	108	5,650	108	3,603
Other taxation and social security	791,347	843,683	788,195	843,683
Other creditors	1,406,491	417,064	1,406,491	417,064
Accruals and deferred income	674,535	413,362	665,640	398,121
	4,010,668	3,110,899	3,886,646	3,016,999

Bank loans and overdrafts were secured by way of a fixed and floating charge over various freehold property owned by the group and by a limited personal guarantee of £600,000 provided by S D Fisher. The personal guarantee was released during the year following repayment of the loan to HSBC.

MEGABET UK LTD.

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

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

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Bank loans	-	259,262	-	259,264
	<u>-</u>	<u>259,262</u>	<u>-</u>	<u>259,264</u>

20. Loans

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Amounts falling due within one year				
Bank loans	-	400,000	-	400,000
Amounts falling due 2-5 years				
Bank loans	-	259,262	-	259,262
	<u>-</u>	<u>659,262</u>	<u>-</u>	<u>659,262</u>

21. Financial instruments

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Financial assets				
Financial assets that are debt instruments measured at amortised cost	<u>1,029,252</u>	<u>4,987,575</u>	<u>1,215,810</u>	<u>4,103,896</u>
	<u>1,029,252</u>	<u>4,987,575</u>	<u>1,215,810</u>	<u>4,103,896</u>
Financial liabilities				
Financial liabilities measured at amortised cost	<u>3,210,318</u>	<u>2,505,588</u>	<u>3,098,343</u>	<u>2,428,976</u>
	<u>3,210,318</u>	<u>2,505,588</u>	<u>3,098,343</u>	<u>2,428,976</u>

The group utilises a number of different financial instruments including bank current accounts and trade and other payables. The group utilised a bank loan facility that was repayable over 5 years. This bank loan has been repaid during the year.

The group also utilises a number of financial assets including trade and other debtors.

MEGABET UK LTD.

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

22. Deferred taxation

Group

	2016 £
At beginning of year	376,109
Charged to the profit or loss	6,906
At end of year	383,015

Company

	2016 £
At beginning of year	376,109
Charged to the profit or loss	6,906
At end of year	383,015

	Group 2016	Company 2016
Accelerated capital allowances	(98,511)	(98,511)
Tax losses carried forward	480,995	480,995
Pension surplus	531	531
	383,015	383,015

23. Share capital

	2016 £	2015 £
Shares classified as equity		
Allotted, called up and fully paid		
124 Ordinary Shares shares of £1 each	124	124

24. Reserves

Profit and loss account

The profit and loss account represents cumulative profits available for distribution.

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**NOTES TO THE FINANCIAL STATEMENTS
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25. Pension commitments

The group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to £44,277 (2015: £44,856). Contributions totalling £2,991 (2015: £11,684) were payable to the fund at the balance sheet date.

26. Commitments under operating leases

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

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Not later than 1 year	1,712,248	1,739,835	1,712,248	1,739,835
Later than 1 year and not later than 5 years	4,774,456	5,386,748	4,774,456	5,386,748
Later than 5 years	1,978,423	2,849,329	1,978,423	2,849,329
	<u>8,465,127</u>	<u>9,975,912</u>	<u>8,465,127</u>	<u>9,975,912</u>

27. Transactions with directors

At the year end the director S D Fisher owed the company £43,340 (2015: £32,273) and the maximum outstanding during the year was £43,340. The amount is repayable on demand.

28. Prior year adjustments

During the year the group changed its policy in respect of listed investments to hold them at fair value through profit or loss. Previously they were held at cost. A prior year adjustment has been made after a subsidiary adopted FRS102 for the first time. The policy was not adopted in 2015 because the difference was not material to the group.

During the year the group also changed the presentation of revenue to reflect the net win rather than the gross amount wagered. The prior year has been restated in order to be comparable.

MEGABET UK LTD.

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

29. Related party transactions

At the year end a balance of £nil (2015: £357,085) was owed to the group by Sherif Ltd, a company related by common control.

At the year end a balance of £885,452 (2015: £788,567) was owed to the group by Stanjames (Cyprus) Limited, a company controlled by S D Fisher. Interest is charged on the outstanding balance at 4.3% and totalled £27,315 (2015: £30,622). The directors considered the recoverability of this debt at the year end and made a provision of £414,299 against this debtor as the directors believe that the prospect of recovery is remote.

At the year end £457,916 (2015: £194,196) was owed by Trustfulgames.com Limited, a company incorporated in Malta controlled by S D Fisher. Interest is charged on the outstanding balance at rates of 1.5% to 4.3% and totalled £21,949 (2015: £4,026). The directors considered the recoverability of this debt at the year end and made a provision of £457,916 against this debtor as the directors believe that the prospect of recovery is remote.

At the year end £3,360,268 (2015: £2,974,086) was owed by Sporting Investments Limited, a company incorporated in Malta in which S D Fisher is a shareholder. Interest is charged on the outstanding balance at rates ranging from 3.75 - 4.5% and totalled £71,968 (2015: £105,260). The directors considered the recoverability of this debt at the year end and made a provision of £3,360,268 against this debtor as the directors believe that the prospect of recovery is remote.

At the year end a balance of £376,613 (2015: £372,944) was owed to Megabet UK Limited from Betkick Sportwettenservice GmbH, a company incorporated in Austria in which Megabet UK Limited has a 50% stake. Interest is charged on the outstanding balance at 1.5% and totalled £4,973 (2015: £5,002).

At the year end a balance of £1,056,355 (2015: £1,056,355) was owed to Megabet UK Limited from Stanjames Betting (Pty) Limited, a company incorporated in South Africa in which S D Fisher has a 50% stake. The directors considered the recoverability of this debt in previous years and at the year end a provision of £1,056,355 had been made against this debtor as the directors believe that the prospect of recovery is remote.

At the year end the company owed £1,000,000 to Fisher Group Limited, a company related by common control. The amount is non interest bearing and repayable on demand.

30. Controlling party

The ultimate parent company and controlling party at the balance sheet date was PFDF Holdings Limited, a company incorporated in Gibraltar, by virtue of its majority shareholding in Megabet UK Ltd.

The parent of the largest and smallest group for which group accounts including Megabet UK Ltd. are drawn up is PFDF Holdings Limited. Copies of these accounts may be obtained from the registered office.