

ANNUAL REPORT AND FINANCIAL  
STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2021

MEGABET UK LTD

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# MEGABET UK LTD

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## COMPANY INFORMATION

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Directors	I Blackburn N D Burt C S Elsey
Company secretary	I Blackburn
Registered number	2050734
Registered office	Pinetree Business Centre Pinetree Centre Durham Road Birtley Chester Le Street DH3 2TD
Independent auditor	Menzies LLP Chartered Accountants & Statutory Auditor Lynton House 7-12 Tavistock Square London WC1H 9LT

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# MEGABET UK LTD

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# MEGABET UK LTD

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## STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

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### Principal activities

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

### Business review

The continued prevalence of Covid-19 led to long closures of betting shops across the UK – for the second year almost a third of the trading days were lost.

Unlike the economy-wide lockdowns in 2020, sporting events continued to varying degrees and there were concerns that traditional retail customers would be lost to online bookmakers. However, when betting shops were allowed to partially re-open in mid-April and fully open mid-May business levels exceeded all reasonable expectations, evidencing the longevity of High Street betting shops providing a social hub for the customers.

To minimise the business risk the Company furloughed retail & support staff and made use of the government initiatives of business rates discounts and the retail property grants. During the lockdown periods without income, government financial assistance and the support of key suppliers allowed the business to minimise the impact.

The Company trades from 47 stores across England. The impact of Covid on both 2020 and 2021 results makes meaningful historic comparison difficult. However, the Directors are very satisfied with part-year trading results and the underlying KPI.

The CVA process undertaken in July 2019 continues to be a success with the business secure and cash generative despite the difficult conditions.

During the year, the business received a VAT reclaim of c.£3m from HMRC in an industry-led case that dated back to 2003. However, the proceeds were largely offset by HMRC debt in the CVA and conditional success fees to advisors and the previous shareholders.

In September 2022 Megabet reached agreement with the CVA creditors to enable the company to pay an additional contribution into the fund and exit the CVA two years ahead of plan. With a clean and early exit from the CVA, the Directors anticipate being able to achieve more competitive trading arrangements with suppliers.

In early 2022 the company completed a rebrand to the Betzone trading name following expiry of a licensing arrangement for the Megabet name.

Despite the impact of the pandemic, the Board are satisfied with the underlying business metrics and look forward with cautious optimism.

### Principal risks and uncertainties

#### *Covid-19*

The lockdowns in both 2020 and 2021 and the continued risk of emerging variants require a cautious view on maintaining cash balances, particularly if future government support may not be as comprehensive as in the previous two years. However, the management team have gained valuable experience from the previous lockdowns and are now well-drilled in both Covid-hygiene and cost-management.

Cashflow management and forecasting continue to be valuable tools in minimising financial risk.

#### *Economic risk*

Inflation rates, utility costs and the risk of recession continue to impact key supplies, staffing and general contracts.

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# MEGABET UK LTD

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## STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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### Principal risks and uncertainties (continued)

#### *Financial Risk management*

The Company's principal financial instruments comprise cash and cash equivalents. Based on current expectations, 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 Company 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

Cost pressures are likely to result in rationalisation within the industry and present opportunities for acquisition, divestment, and the benefits of consolidation. The Directors are continually reviewing strategic options.

### Financial key performance indicators

The board consider EBITDA and cash generation to be key financial performance measures. Whilst 2021 was a highly disrupted year due to the Covid pandemic, the Board are satisfied that good progress has been made during difficult trading conditions.

EBITDA in 2021 was £1.35m, although without exceptional items it was £0.70m (£0.89m in 2020).

### 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.

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# MEGABET UK LTD

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## STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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

**I Blackburn**  
Director

Date: 6 October 2022

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# MEGABET UK LTD

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## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

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The Directors present their report and the financial statements for the year ended 31 December 2021.

### Directors' responsibilities statement

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

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

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

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

### Results and dividends

The profit for the year, after taxation, amounted to £1,128,549 (2020 - £427,710).

No ordinary dividends were paid. The directors do not recommend payment of a further dividend.

### Directors

The Directors who served during the year were:

I Blackburn  
N D Burt  
C S Elsey

### 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.

### Matters covered in the Strategic Report

The Company has chosen in accordance with Section 414C(II) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 to set out within the Company's Strategic Report, the information required by Schedule 7 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulation 2008. This includes information that would have been included in the business review and details of the principal risks and uncertainties.

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# MEGABET UK LTD

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## DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2021

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### Disclosure of information to auditor

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

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

### Auditor

The auditor, Menzies LLP, 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: 6 October 2022



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MEGABET UK LTD

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**Opinion**

We have audited the financial statements of Megabet UK Ltd (the 'Company') for the year ended 31 December 2021, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

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

**Conclusions relating to going concern**

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

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

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

**Other information**

The other information comprises the information included in the Annual Report other than the financial statements and our Auditor's Report thereon. The Directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MEGABET UK LTD  
(CONTINUED)**

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**Opinion on other matters prescribed by the Companies Act 2006**

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

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

**Matters on which we are required to report by exception**

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

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

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

**Responsibilities of directors**

As explained more fully in the Directors' Responsibilities Statement set out 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, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MEGABET UK LTD (CONTINUED)

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### Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

The Company is subject to laws and regulations that directly affect the financial statements including financial reporting

legislation. We determined that the following laws and regulations were most significant:

- The Companies Act 2006;
- Financial Reporting Standard 102;
- Gambling Act;
- Horse Racing Board;
- General Data Protection Regulations; and
- UK tax legislation.

We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

We understood how the Company is complying with those legal and regulatory frameworks by making inquiries to management and those responsible for legal and compliance procedures. The engagement partner assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations. He did not identify any issues in this area.

We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included:

- Identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud;
- Understanding how those charged with governance considered and addressed the potential for override of controls or other inappropriate influence over the financial reporting process;
- Challenging assumptions and judgements made by management in its significant accounting estimates; and
- Identifying and testing journal entries, in particular any journal entries posted outside of the normal working patterns of the accounts team, or with unusual descriptions or account combinations.

As a result of the above procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas:

- The application of inappropriate judgements or estimation to manipulate the financial position in the calculation of the year end provisions;
- The posting of unusual journals and complex transactions; or
- The use of management override of controls to manipulate results.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MEGABET UK LTD  
(CONTINUED)**

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Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditor's Report.

**Use of our report**

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

Robin Hopkins FCA (Senior Statutory Auditor)

for and on behalf of

**Menzies LLP**

Chartered Accountants

Statutory Auditor

Lynton House

7-12 Tavistock Square

London

WC1H 9LT

6 October 2022

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# MEGABET UK LTD

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## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

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	Note	2021 £	2020 £
Gross amounts wagered		<u>54,335,240</u>	<u>46,297,740</u>
Turnover	4	10,386,024	9,064,926
Cost of sales		<u>(6,572,655)</u>	<u>(5,726,028)</u>
<b>Gross profit</b>		<b>3,813,369</b>	<b>3,338,898</b>
Administrative expenses		(4,999,160)	(4,462,409)
Exceptional administrative expenses	13	(2,305,488)	-
Other operating income	5	1,508,272	1,590,083
Exceptional other operating income	13	3,001,947	-
<b>Operating profit</b>	6	<b>1,018,940</b>	<b>466,572</b>
Interest receivable and similar income	10	170,332	826
Interest payable and similar expenses	11	<u>(60,723)</u>	<u>(39,688)</u>
<b>Profit before tax</b>		<b>1,128,549</b>	<b>427,710</b>
<b>Profit for the financial year</b>		<b><u>1,128,549</u></b>	<b><u>427,710</u></b>

There was no other comprehensive income for 2021 (2020:£NIL).

The notes on pages 13 to 24 form part of these financial statements.

**MEGABET UK LTD**  
**REGISTERED NUMBER:2050734**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2021**

	<b>Note</b>	<b>2021</b> <b>£</b>	<b>2020</b> <b>£</b>
<b>Fixed assets</b>			
Intangible assets	14	<b>163,839</b>	319,992
Tangible assets	15	<b>1,115,072</b>	1,185,543
		<b>1,278,911</b>	1,505,535
<b>Current assets</b>			
Stocks		<b>38,916</b>	16,832
Debtors: amounts falling due within one year	16	<b>1,513,375</b>	337,562
Bank and cash balances		<b>2,217,642</b>	1,356,710
		<b>3,769,933</b>	1,711,104
Creditors: amounts falling due within one year	17	<b>(2,038,833)</b>	(1,245,510)
<b>Net current assets</b>		<b>1,731,100</b>	465,594
<b>Total assets less current liabilities</b>		<b>3,010,011</b>	1,971,129
Creditors: amounts falling due after more than one year	18	<b>(158,334)</b>	(258,334)
<b>Provisions for liabilities</b>			
Other provisions	19	<b>(882,891)</b>	(872,558)
		<b>(882,891)</b>	(872,558)
<b>Net assets</b>		<b>1,968,786</b>	840,237
<b>Capital and reserves</b>			
Called up share capital	20	<b>124</b>	124
Merger reserve	21	<b>(826,929)</b>	(1,127,631)
Profit and loss account	21	<b>2,795,591</b>	1,967,744
		<b>1,968,786</b>	840,237

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

**I Blackburn**

Director

Date: 6 October 2022

The notes on pages 13 to 24 form part of these financial statements.

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# MEGABET UK LTD

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

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	Called up share capital	Merger reserve	Profit and loss account	Total equity
	£	£	£	£
<b>At 1 January 2020</b>	<b>124</b>	<b>-</b>	<b>1,615,209</b>	<b>1,615,333</b>
Profit for the year	-	-	427,710	427,710
Merger reserve	-	(1,202,806)	-	(1,202,806)
Transfer from merger reserve	-	75,175	(75,175)	-
<b>At 1 January 2021</b>	<b>124</b>	<b>(1,127,631)</b>	<b>1,967,744</b>	<b>840,237</b>
Profit for the year	-	-	1,128,549	1,128,549
Transfer from merger reserve	-	300,702	(300,702)	-
<b>At 31 December 2021</b>	<b>124</b>	<b>(826,929)</b>	<b>2,795,591</b>	<b>1,968,786</b>

The notes on pages 13 to 24 form part of these financial statements.

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# MEGABET UK LTD

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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### 1. General information

Megabet UK Ltd. ("the company") is a private company limited by shares and is registered and incorporated in England and Wales. The address of the registered office is given on the company information page. The principal activity of the company and the nature of its operations are set out in the strategic report on page 1.

### 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 management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

#### 2.2 Financial Reporting Standard 102 - reduced disclosure exemptions

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

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

This information is included in the consolidated financial statements of Bet 21 Limited as at 31 December 2021 and these financial statements may be obtained from Companies House.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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### 2. Accounting policies (continued)

#### 2.3 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 profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

#### 2.4 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. The policy is considered reasonable as it matches the stake with any payout made.

#### 2.5 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss 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.

#### 2.6 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

#### 2.7 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants of a revenue nature are recognised in the Statement of Comprehensive Income in the same period as the related expenditure.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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### 2. Accounting policies (continued)

#### 2.8 Interest income

Interest income is recognised in profit or loss using the effective interest method.

#### 2.9 Finance costs

Finance costs are charged to profit or loss 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.

#### 2.10 Pensions

##### Defined contribution pension plan

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

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

#### 2.11 Exceptional items

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

#### 2.12 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 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 Statement of Comprehensive Income over its useful economic life.

##### Other intangible assets

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

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Goodwill	-	4	years
Licences	-	10	years

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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### 2. Accounting policies (continued)

#### 2.13 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.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

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, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	-	2%
Leasehold property	-	Over the lease period
Motor vehicles	-	25%
Fixtures and fittings	-	12.5-20%
Computer equipment	-	25-50%

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

#### 2.14 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting 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 reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

#### 2.15 Provisions for liabilities

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

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the reporting 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 Statement of Financial Position.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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### 2. Accounting policies (continued)

#### 2.16 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.

#### 2.17 Financial instruments

The Company only enters into basic financial instrument 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 ordinary shares.

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

The preparation of the accounts in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the accounts and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates. The key estimates and assumptions used in these consolidated accounts are set out below.

#### ***Taxation***

The company establishes provisions based on reasonable estimates, for possible consequences of audits by the tax authorities. The amount of such provision 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.

#### ***Provisions against underperforming shops***

Each Megabet shop is considered to be a Cash Generating Unit (CGU) for the group as they are able to generate revenue individually. Each CGU is assessed at each period end to ascertain whether there are any indications of impairment or whether onerous lease provisions are required. These calculations are based on the future cash flow projections of each shop on an individual basis, based on management's best estimations from their prior knowledge of each shop and the expected performance going forward.

#### ***Dilapidations***

Each shop that has an ongoing lease has been allocated a provision against dilapidations that it is contractually to pay for at the end of its lease period. There is a proportion of estimation and uncertainty over the amounts that will be eventually be paid, however management have provided for amounts based on its prior knowledge and its expectations of amounts to be paid.

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# MEGABET UK LTD

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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### 4. Turnover

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

	2021 £	2020 £
Gross amounts wagered	54,335,240	46,297,740
Less amounts paid on winning bets	(43,949,216)	(37,232,814)
	<u>10,386,024</u>	<u>9,064,926</u>

All turnover arose within the United Kingdom.

### 5. Other operating income

	2021 £	2020 £
Other operating income	49,405	31,450
Net rents receivable	23,811	23,525
Government grants receivable	1,435,056	1,535,108
	<u>1,508,272</u>	<u>1,590,083</u>

The above grant income relates to the Coronavirus Job Retention Scheme.

### 6. Operating profit

The operating profit is stated after charging:

	2021 £	2020 £
Exchange differences	1,190	5,131
Other operating lease rentals	<u>1,040,706</u>	<u>880,048</u>

### 7. Auditor's remuneration

	2021 £	2020 £
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	<u>20,600</u>	<u>20,000</u>

# MEGABET UK LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### 8. Employees

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

	2021 £	2020 £
Wages and salaries	3,713,763	3,328,122
Social security costs	290,190	240,114
Cost of defined contribution scheme	82,455	71,232
	<u>4,086,408</u>	<u>3,639,468</u>

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

	2021 No.	2020 No.
Administration and head office	16	17
Sales	193	186
	<u>209</u>	<u>203</u>

### 9. Directors' remuneration

	2021 £	2020 £
Directors' emoluments	266,066	188,239
Company contributions to defined contribution pension schemes	13,559	11,628
	<u>279,625</u>	<u>199,867</u>

During the year retirement benefits were accruing to 3 Directors (2020 - 2) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £113,733 (2020 - £98,410).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £1,319 (2020 - £1,314).

### 10. Interest receivable

	2021 £	2020 £
Interest on VAT reclaim (note 13)	170,332	-
Other interest receivable	-	826
	<u>170,332</u>	<u>826</u>

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# MEGABET UK LTD

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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### 11. Interest payable and similar expenses

	2021 £	2020 £
Bank interest payable	10,987	1,222
Other interest payable	49,736	38,466
	<u>60,723</u>	<u>39,688</u>

### 12. Taxation

#### Factors affecting tax charge for the year

The tax assessed for the year is lower than (2020 - *lower than*) the standard rate of corporation tax in the UK of 19% (2020 - 19%). The differences are explained below:

	2021 £	2020 £
Profit on ordinary activities before tax	<u>1,128,549</u>	<u>427,710</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020 - 19%)	214,424	81,265
<b>Effects of:</b>		
Non-tax deductible amortisation of goodwill and impairment	1,511	9,065
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	14,915	3,745
Capital allowances for year in excess of depreciation	(22,901)	(3,479)
Utilisation of tax losses	(207,949)	(91,475)
Changes in provisions leading to an increase (decrease) in the tax charge	-	879
<b>Total tax charge for the year</b>	<u>-</u>	<u>-</u>

# MEGABET UK LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### 12. Taxation (continued)

#### Factors that may affect future tax charges

There were no factors that may affect future tax charges.

### 13. Exceptional items

	2021 £	2020 £
Administrative expenses	2,305,488	-
Other operating income	(3,001,947)	-
	<u>(696,459)</u>	<u>-</u>

The above other operating income relates to a VAT reclaim from historic years. The administrative expenses related to settlement with HMRC over duties and other taxes.

### 14. Intangible assets

	Development expenditure £	Computer software £	Goodwill £	Total £
<b>Cost</b>				
At 1 January 2021	96,000	396,240	3,258,862	3,751,102
Disposals	(96,000)	-	-	(96,000)
At 31 December 2021	<u>-</u>	<u>396,240</u>	<u>3,258,862</u>	<u>3,655,102</u>
<b>Amortisation</b>				
At 1 January 2021	-	180,198	3,250,912	3,431,110
Charge for the year on owned assets	-	52,203	7,950	60,153
At 31 December 2021	<u>-</u>	<u>232,401</u>	<u>3,258,862</u>	<u>3,491,263</u>
<b>Net book value</b>				
At 31 December 2021	<u>-</u>	<u>163,839</u>	<u>-</u>	<u>163,839</u>
<b>At 31 December 2020</b>	<u>96,000</u>	<u>216,042</u>	<u>7,950</u>	<u>319,992</u>



# MEGABET UK LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### 15. Tangible fixed assets

	Freehold property £	Leasehold property £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
<b>Cost or valuation</b>						
At 1 January 2021	255,599	399,599	15,840	3,089,551	1,804,633	5,565,222
Additions	-	9,328	-	169,993	23,603	202,924
Disposals	-	-	(15,840)	(605,341)	(1,075,899)	(1,697,080)
	255,599	408,927	-	2,654,203	752,337	4,071,066
At 31 December 2021						
<b>Depreciation</b>						
At 1 January 2021	40,779	235,111	15,840	2,303,632	1,784,317	4,379,679
Charge for the year on owned assets	3,860	67,989	-	176,270	25,276	273,395
Disposals	-	-	(15,840)	(605,341)	(1,075,899)	(1,697,080)
	44,639	303,100	-	1,874,561	733,694	2,955,994
At 31 December 2021						
<b>Net book value</b>						
At 31 December 2021	210,960	105,827	-	779,642	18,643	1,115,072
At 31 December 2020	214,820	164,488	-	785,919	20,316	1,185,543
<b>At 31 December 2020</b>						

# MEGABET UK LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

### 16. Debtors

	2021 £	2020 £
Trade debtors	-	9,136
Other debtors	1,186,203	16,754
Prepayments and accrued income	327,172	250,075
Grants receivable	-	61,597
	<u>1,513,375</u>	<u>337,562</u>

### 17. Creditors: Amounts falling due within one year

	2021 £	2020 £
Trade creditors	688,013	235,653
Amounts owed to group undertakings	50,000	81,073
Other taxation and social security	628,585	387,598
Other creditors	243,765	160,326
Accruals and deferred income	428,470	380,860
	<u>2,038,833</u>	<u>1,245,510</u>

### 18. Creditors: Amounts falling due after more than one year

	2021 £	2020 £
Other creditors	158,334	258,334
	<u>158,334</u>	<u>258,334</u>

### 19. Provisions

	Dilapidations £	Onerous leases £	Total £
At 1 January 2021	851,792	20,766	872,558
Charged to profit or loss	48,552	33,216	81,768
Utilised in year	(71,435)	-	(71,435)
At 31 December 2021	<u>828,909</u>	<u>53,982</u>	<u>882,891</u>

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# MEGABET UK LTD

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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### 20. Share capital

	2021 £	2020 £
<b>Allotted, called up and fully paid</b>		
124 (2020 - 124) Ordinary share capital shares of £1.00 each	<u>124</u>	<u>124</u>

### 21. Reserves

#### Merger Reserve

This reserve relates to the amount paid in excess of the net book value of assets acquired from its parent entity.

#### Profit and loss account

This reserve records retained earnings and accumulated losses.

### 22. Commitments under operating leases

At 31 December 2021 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2021 £	2020 £
Not later than 1 year	750,877	808,000
Later than 1 year and not later than 5 years	1,177,798	1,554,863
Later than 5 years	304,356	474,241
	<u>2,233,031</u>	<u>2,837,104</u>

### 23. Related party transactions

The company is exempt under Paragraph 33.1A of FRS 102 from disclosing related party transactions with entities that are part of the group, where 100% of the voting rights are controlled within the group.

At the year end, Megabet UK Limited owed £1,857 to directors (2020: £1,857). No interest is charged on the loan.

### 24. Controlling party

The immediate and ultimate parent company is Bet 21 Limited. There is not considered to be one ultimate controlling party.

The parent company of largest and smallest group in which the company's results are consolidated is Bet 21 Limited. Copies of these accounts may be obtained from its registered office, being 2 Jardine House Harrovia Business Village, Bessborough Road, Harrow, Middlesex, HA1 3EX.



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