

Company registration number 2050734 (England and Wales)

MEGABET UK LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 APRIL 2023

MEGABET UK LTD

COMPANY INFORMATION

Director	G R Knight
Company number	2050734
Registered office	4 Simon Campion Court 232-234 High Street Epping Essex CM16 4AU
Auditor	Gravita II LLP 30 City Road London EC1Y 2AB

MEGABET UK LTD

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MEGABET UK LTD

STRATEGIC REPORT

FOR THE PERIOD ENDED 30 APRIL 2023

The director presents the strategic report for the period ended 30 April 2023.

Principal activities

The principal activity of the company continued to be that of betting services.

Review of the business

The company was acquired by Betting Shop Services Ltd (BSSL) in October 2022, and the accounting period was extended to cover a period of 16 months in order to align with the BSSL Group accounting period. Due to the change in ownership, accounting period and some accounting policies, some comparisons shown within the report may not be entirely comparable.

Trading post COVID-19 remains strong in all key revenue streams and improvements in the margins led to a much-improved Gross Profit during the FY 2022/23, (75% Gross profit percentage in 2023 and 37% in the 12 month period in 2021).

Overall administrative expenses as a percentage of turnover remained consistent with the previous period but there were significant increases in wages and rent costs due to the lack of grants and exemptions following COVID.

Following acquisition, the company also carried out an extensive refurbishment and rebranding programme including a significant investment in an estate wide digital window display system.

Future developments

The Director is confident that retail betting will continue to grow, with more customers looking to enjoy the company's offering in a shop based environment. As always, the company will continue to look for opportunities to expand the estate nationwide through a mixture of organic growth & acquisition.

MEGABET UK LTD

STRATEGIC REPORT (CONTINUED)

FOR THE PERIOD ENDED 30 APRIL 2023

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. The principal risks are as follows:

Gaming and Regulatory Risk

The company is exposed to varying degrees of earnings volatility primarily due to the uncertainty inherent in bookmaking. Wherever possible this risk is limited by clear policies on the size of individual bets taken and the aggregate potential exposure to any one particular result through sophisticated back office systems which allow management to constantly monitor liabilities and also through the use of various hedging as deemed appropriate by the director. The company is also subject to regulatory restrictions imposed on it by the Government and to changes in specific taxation provisions particular to the bookmaking industry.

Interest Rate Risk

The company's trading income and operating cash flows are not directly linked to changes or movements in interest rates. The company primarily finances its operations through a variety of borrowing facilities. The company's loan borrowings are denominated in sterling and are borrowed principally at floating interest rates.

Liquidity Risk

Liquidity is the risk that cash may not be available to pay obligations when they fall due. Cash forecasts identifying the liquidity requirements of the company are produced regularly and are reviewed in detail to ensure that sufficient headroom exists for at least the forthcoming twelve month period.

Going Concern Risk

The director has noted that the core revenue streams continue to remain popular and is confident that the company is well positioned for the future.

On behalf of the board

G R Knight
Director

26 January 2024

MEGABET UK LTD

DIRECTOR'S REPORT

FOR THE PERIOD ENDED 30 APRIL 2023

The director presents his annual report and financial statements for the period ended 30 April 2023.

Results and dividends

The results for the period are set out on page 7.

No ordinary dividends were paid. The director does not recommend payment of a final dividend.

Director

The director who held office during the period and up to the date of signature of the financial statements was as follows:

G R Knight

I Blackburn

N Burt

C Elsey

(Resigned 14 October 2022)

(Resigned 14 October 2022)

(Resigned 14 October 2022)

Statement of director's responsibilities

The director is responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director must not approve the financial statements unless he is 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 director is required to:

- select suitable accounting policies 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 director is responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. He is 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.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

G R Knight

Director

26 January 2024

MEGABET UK LTD

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

Opinion

We have audited the financial statements of Megabet UK Ltd (the 'company') for the period ended 30 April 2023 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including 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 30 April 2023 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the director's 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. However, because not all future events or conditions can be predicted this statement is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the director 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 director is 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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

MEGABET UK LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF MEGABET UK LTD

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 director's 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 remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of director

As explained more fully in the director's responsibilities statement, the director is 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 director determines 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 director is 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 director either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

The extent to which the audit was considered capable of detecting irregularities including fraud.

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations;
- we identified the laws and regulations applicable to the company through discussions with directors and other management, and from our commercial knowledge and experience of the betting services industry;
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including the Companies Act 2006 and taxation legislation, as well as regulations around the gambling industry;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management and inspecting legal correspondence; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

MEGABET UK LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF MEGABET UK LTD

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- understanding the business model as part of the control and business environment;
- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions;
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias; and
- investigated the rationale behind significant or unusual transactions

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation;
- enquiring of management as to actual and potential litigation and claims; and
- reviewing correspondence and enquiring with the company of actual and potential non-compliance with laws and regulations.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment by for example forgery, or intentional misrepresentation or through collusion. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://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.

John Donohoe FCA
Senior Statutory Auditor
For and on behalf of Gravita II LLP

29 January 2024

Chartered Accountants
Statutory Auditor

30 City Road
London
EC1Y 2AB

MEGABET UK LTD

STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 30 APRIL 2023

		Period ended 30 April 2023 £	Year ended 31 December 2021 £
	Notes		
Turnover	3	21,621,267	10,386,024
Cost of sales		(5,438,675)	(6,572,655)
Gross profit		16,182,592	3,813,369
Administrative expenses		(14,230,175)	(7,304,648)
Other operating income		817,315	4,510,219
Operating profit	5	2,769,732	1,018,940
Interest receivable and similar income	8	-	170,332
Interest payable and similar expenses	9	-	(60,723)
Profit before taxation		2,769,732	1,128,549
Tax on profit	10	(193,371)	-
Profit for the financial period		2,576,361	1,128,549

The profit and loss account has been prepared on the basis that all operations are continuing operations.

MEGABET UK LTD

BALANCE SHEET

AS AT 30 APRIL 2023

		30 April 2023		31 December 2021	
	Notes	£	£	£	£
Fixed assets					
Intangible assets	11		-		163,839
Tangible assets	12		1,726,055		1,115,072
			<u>1,726,055</u>		<u>1,278,911</u>
Current assets					
Stocks	13	-		38,916	
Debtors	14	3,738,260		1,513,375	
Cash at bank and in hand		1,133,851		2,217,642	
		<u>4,872,111</u>		<u>3,769,933</u>	
Creditors: amounts falling due within one year	15	(1,432,481)		(2,038,833)	
Net current assets			<u>3,439,630</u>		<u>1,731,100</u>
Total assets less current liabilities			<u>5,165,685</u>		<u>3,010,011</u>
Creditors: amounts falling due after more than one year	16		(546,556)		(158,334)
Provisions for liabilities					
Provisions	18	73,982		882,891	
		<u>(73,982)</u>		<u>(882,891)</u>	
Net assets			<u><u>4,545,147</u></u>		<u><u>1,968,786</u></u>
Capital and reserves					
Called up share capital	20		124		124
Other reserves	21		(426,951)		(826,929)
Profit and loss reserves	21		4,971,974		2,795,591
Total equity			<u><u>4,545,147</u></u>		<u><u>1,968,786</u></u>

The financial statements were approved by the board of directors and authorised for issue on 26 January 2024 and are signed on its behalf by:

G R Knight
Director

Company Registration No. 2050734

MEGABET UK LTD

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 APRIL 2023

	Share capital	Merge reserve	Profit and loss reserves	Total
	£	£	£	£
Balance at 1 January 2021	124	(1,127,631)	1,967,744	840,237
Year ended 31 December 2021:				
Profit and total comprehensive income for the year	-	-	1,128,549	1,128,549
Other movements	-	300,702	(300,702)	-
Balance at 31 December 2021	124	(826,929)	2,795,591	1,968,786
Period ended 30 April 2023:				
Profit and total comprehensive income for the period	-	-	2,576,361	2,576,361
Other movements	-	399,978	(399,978)	-
Balance at 30 April 2023	124	(426,951)	4,971,974	4,545,147

MEGABET UK LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 APRIL 2023

1 Accounting policies

Company information

Megabet UK Ltd is a private company limited by shares incorporated in England and Wales. The registered office is 4 Simon Campion Court, 232-234 High Street, Epping, Essex, CM16 4AU.

1.1 Reporting period

The current period has been extended to bring the accounting reference date in line with the rest of the group and covers approximately 16 months. A longer period has been used in order to agree the year end date with the group. Therefore, comparative amounts presented in the financial statements are not entirely comparable.

1.2 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues: Interest income/expense and net gains/losses for financial instruments not measured at fair value; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 26 'Share based Payment': Share-based payment expense charged to profit or loss, reconciliation of opening and closing number and weighted average exercise price of share options, how the fair value of options granted was measured, measurement and carrying amount of liabilities for cash-settled share-based payments, explanation of modifications to arrangements;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Betting Shop Services Limited. These consolidated financial statements are available from its registered office, 4 Simon Campion Court, 232-234 High Street, Epping, Essex, CM16 4AU.

1.3 Going concern

At the time of approving the financial statements, the director has a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the director continues to adopt the going concern basis of accounting in preparing the financial statements.

1.4 Turnover

Turnover is the amount derived from ordinary activities and represents customers' stakes less amounts won by customers in respect of bookmaking transactions, including fixed odds betting terminals and profit shares receivable and stated after trade discounts and sales taxes.

Interest income is recognised as interest accrues using the effective interest method, and is shown including related fees, finance charges paid or received and associated transaction costs.

MEGABET UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 APRIL 2023

1 Accounting policies

(Continued)

A change in ownership occurred in the year which resulted in a change in the turnover accounting policy changing income recognition to the point a bet placed rather than being on the date of outcome takes place. This brings the turnover accounting policy in line with the group policy.

1.5 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Licences	Over the length of the lease
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1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

On 14 October 2022 Megabet UK Limited was acquired by Betting Shop Services Limited. After this date the company's classification and accounting policies changed to be in line with the group. Therefore, the depreciation policies changed to align with the group on acquisition.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold land and buildings	2% straight line changed to over the length of the lease
Leasehold property	Over the length of the lease
Plant and machinery	3-5 years straight line
Fixtures and fittings	12.5-20% straight line changed to 3-5 years straight line
Computer equipment	25-50% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Computer equipment is a class no longer used after acquisition. The assets that were in this class have now been transferred to plant and machinery.

1.7 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

MEGABET UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 APRIL 2023

1 Accounting policies

(Continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

1.8 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand.

1.9 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally 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.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

MEGABET UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 APRIL 2023

1 Accounting policies

(Continued)

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

Intercompany balances

Intercompany balances incur no interest and are repayable on demand.

1.10 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.11 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

MEGABET UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 APRIL 2023

1 Accounting policies

(Continued)

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.12 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

1.13 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.14 Leases

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

MEGABET UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 APRIL 2023

1 Accounting policies

(Continued)

1.15 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

Income from furlough scheme is recognised in the period the furlough income relates to and is recorded as 'other income'.

1.16 Presentation of expenses

The company was acquired by Betting Shop Services Ltd on 14th October 2022. After this date, the presentation of expenses were aligned with the group policies and therefore, the comparatives are not directly comparable.

MEGABET UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 APRIL 2023

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the director is required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Intangible fixed assets

Accounting for intangible fixed assets involves the use of estimates and judgements for determining the useful lives over which these are amortised, and the existence and amount of any impairment.

Intangible assets are depreciated and amortised on a straight line basis over their estimated useful lives and taking into account their expected residual values. When the Company estimates useful lives, various factors are considered including the expected usage of the asset.

The director regularly reviews these asset lives and change them as necessary to reflect the estimated current remaining lives in light of technological changes, future economic utilisation and physical condition of the assets concerned. A significant change in asset lives can have a significant change on amortisation charges for the period.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. This obligation may be legal or constructive deriving from regulations, contracts, normal practices or public commitments that lead third parties to reasonably expect that the Company will assume certain responsibilities. The amount of the provision is determined based on the best estimate of the outflow of resources required to settle the obligation, taking into account all available information.

No provision is recognised if the amount of liability cannot be estimated reliably. In this case, the relevant information is disclosed in the notes to the financial statements.

Given the uncertainties inherent in the estimates used to determine the amount of provision, actual outflows of resources may differ from the amounts recognised originally on the basis of the estimates.

3 Turnover and other revenue

	2023	2021
	£	£
Turnover analysed by class of business		
Gross amounts wagered	106,324,116	54,335,240
Less amounts paid on winning bets	(84,702,849)	(43,949,216)
	<u>21,621,267</u>	<u>10,386,024</u>

MEGABET UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 APRIL 2023

3	Turnover and other revenue	(Continued)	
		2023	2021
		£	£
	Other revenue		
	Interest income	-	170,332
	Grants received	-	1,435,056
		<u></u>	<u></u>

4	Exceptional items	2023	2021
		£	£
	Income		
	Other Operating Income	745,992	3,001,947
		<u></u>	<u></u>
	Expenditure		
	Administrative costs	219,647	2,305,488
		<u></u>	<u></u>

The above other operating income relates to the reversal of previously provided dilapidations on shops. In 2021, other operating income relates to a VAT reclaim from historical years.

The above exceptional costs relate to settlement fees paid to previous directors and CVA exit fees. In 2021, the exceptional costs relate to settlements with HMRC over duties and other taxes.

5	Operating profit	2023	2021
		£	£
	Operating profit for the period is stated after charging/(crediting):		
	Exchange (gains)/losses	(477)	1,190
	Government grants	-	(1,435,056)
	Fees payable to the company's auditor for the audit of the company's financial statements	46,500	18,066
	Depreciation of owned tangible fixed assets	321,717	
	Loss on disposal of tangible fixed assets	584,219	-
	Amortisation of intangible assets	13,934	-
	Operating lease charges	1,305,376	1,072,738
		<u></u>	<u></u>

6 Employees

The average monthly number of persons (including directors) employed by the company during the period was:

	2023	2021
	Number	Number
Non-shop staff	11	16
Shop staff	163	193
	<u></u>	<u></u>
Total	174	209
	<u></u>	<u></u>

MEGABET UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 APRIL 2023

6 Employees (Continued)

Their aggregate remuneration comprised:

	2023 £	2021 £
Wages and salaries	4,559,119	3,713,763
Social security costs	360,638	290,190
Pension costs	96,081	82,455
	<u>5,015,838</u>	<u>4,086,408</u>

7 Director's remuneration

	2023 £	2021 £
Remuneration for qualifying services	232,414	266,066
Company pension contributions to defined contribution schemes	8,194	13,599
	<u>240,608</u>	<u>279,625</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2021 - 3).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2023 £	2021 £
Remuneration for qualifying services	<u>100,625</u>	<u>113,733</u>

8 Interest receivable and similar income

	2023 £	2021 £
Interest income		
Other interest income	-	170,332
	<u>-</u>	<u>170,332</u>

9 Interest payable and similar expenses

	2023 £	2021 £
Interest on bank overdrafts and loans	-	10,987
Unwinding of discount on provisions	-	49,736
	<u>-</u>	<u>60,723</u>

MEGABET UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 APRIL 2023

10 Taxation

	2023 £	2021 £
Current tax		
UK corporation tax on profits for the current period	193,371	-

The actual charge for the period can be reconciled to the expected charge for the period based on the profit or loss and the standard rate of tax as follows:

	2023 £	2021 £
Profit before taxation	2,769,732	1,128,549
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2021: 19.00%)	526,249	214,424
Tax effect of expenses that are not deductible in determining taxable profit	61,745	14,915
Tax effect of income not taxable in determining taxable profit	(141,738)	-
Group relief	(127,286)	-
Permanent capital allowances in excess of depreciation	(231,666)	(22,901)
Amortisation on assets not qualifying for tax allowances	2,647	1,511
Utilisation of losses	-	(207,949)
Fixed asset disposals	103,420	-
Taxation charge for the period	193,371	-

11 Intangible fixed assets

	Licences £
Cost	
At 1 January 2022	396,240
Disposals	(272,551)
Transfers	(123,689)
At 30 April 2023	-
Amortisation and impairment	
At 1 January 2022	232,401
Amortisation charged for the period	13,934
Disposals	(122,647)
Transfers	(123,688)
At 30 April 2023	-
Carrying amount	
At 30 April 2023	-
At 31 December 2021	163,839

MEGABET UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 APRIL 2023

11 Intangible fixed assets

(Continued)

On 14 October 2022 Megabet UK Limited was acquired by Betting Shop Services Limited. After this date the company's classification and accounting policies changed to be in line with the group. Therefore, some assets were transferred between asset classes. These have been shown as transfers in the financial statements.

12 Tangible fixed assets

	Freehold land and buildings £	Leasehold property £	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Total £
Cost						
At 1 January 2022	255,599	408,927	-	2,654,203	752,337	4,071,066
Additions	-	430,190	215,415	595,969	148,707	1,390,281
Disposals	-	-	(597,004)	(255,591)	-	(852,595)
Transfers	-	978,713	3,040,599	(2,994,581)	(901,044)	123,687
At 30 April 2023	255,599	1,817,830	2,659,010	-	-	4,732,439
Depreciation and impairment						
At 1 January 2022	44,639	303,100	-	1,874,561	733,694	2,955,994
Depreciation charged in the period	5,141	53,603	93,691	149,866	19,416	321,717
Eliminated in respect of disposals	-	-	(234,128)	(160,888)	-	(395,016)
Transfers	-	778,111	1,962,227	(1,863,539)	(753,110)	123,689
At 30 April 2023	49,780	1,134,814	1,821,790	-	-	3,006,384
Carrying amount						
At 30 April 2023	205,819	683,016	837,220	-	-	1,726,055
At 31 December 2021	210,960	105,827	-	779,642	18,643	1,115,072

On 14 October 2022 Megabet UK Limited was acquired by Betting Shop Services Limited. After this date the company's classification and accounting policies changed to be in line with the group. Therefore, some assets were transferred between asset classes. These have been shown as transfers in the financial statements. The depreciation policies also changed on acquisition date.

13 Stocks

	2023 £	2021 £
Finished goods and goods for resale	-	38,916

MEGABET UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 APRIL 2023

14 Debtors

	2023	2021
	£	£
Amounts falling due within one year:		
Trade debtors	51,297	-
Corporation tax recoverable	-	12,065
Other debtors	38,373	1,174,138
Prepayments and accrued income	166,114	327,172
	<u>255,784</u>	<u>1,513,375</u>
Amounts falling due after more than one year:		
	£	£
Amounts owed by group undertakings	3,482,476	-
	<u>3,482,476</u>	<u>-</u>
Total debtors	<u>3,738,260</u>	<u>1,513,375</u>

15 Creditors: amounts falling due within one year

	Notes	2023	2021
		£	£
Bank loans and overdrafts	17	2	-
Trade creditors		174,234	688,013
Amounts owed to group undertakings		-	50,000
Corporation tax		178,609	-
Other taxation and social security		25,077	103,553
Other creditors		40,481	243,765
Accruals and deferred income		1,014,078	953,502
		<u>1,432,481</u>	<u>2,038,833</u>

16 Creditors: amounts falling due after more than one year

	2023	2021
	£	£
Amounts owed to group undertakings	546,556	-
Other creditors	-	158,334
	<u>546,556</u>	<u>158,334</u>

MEGABET UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 APRIL 2023

17 Loans and overdrafts

	2023 £	2021 £
Bank overdrafts	2	-
Payable within one year	2	-

18 Provisions for liabilities

	2023 £	2021 £
	73,982	882,891
Movements on provisions:		
		£
At 1 January 2022		882,891
Reversal of provision		(808,909)
At 30 April 2023		73,982

Included in provisions are £20,000 in respect of dilapidations for shops closing in the next 12 months and £53,982 for onerous leases.

19 Retirement benefit schemes

	2023 £	2021 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	96,081	82,455

20 Share capital

	2023 Number	2021 Number	2023 £	2021 £
Ordinary share capital Issued and fully paid				
Ordinary Shares of £1 each	124	124	124	124

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

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.

MEGABET UK LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE PERIOD ENDED 30 APRIL 2023

21 Reserves

(Continued)

Profit and loss reserves

Retained earnings represents accumulated comprehensive income for the year and prior periods less dividends paid.

22 Financial commitments, guarantees and contingent liabilities

The company has a cross guarantee with its parent company, Betting Shop Services Ltd (BSSL), and fellow subsidiaries in respect of loans from WPG Treasury for indebtedness in Betting Shop Services Limited which at 30 April 2023 amounted to £4,007,522, of which £4,000,000 is secured by a mortgage and a fixed and floating charge over the assets of the company.

The company has another cross guarantee with BSSL and subsidiaries in respect of loans from G R Knight, a shareholder of the company and J W Knight and C Boxall, both ex-shareholders of the company. All companies have a joint and several liability for their total indebtedness in Betting Shop Services Limited, which at the period end amounted to £6,430,047, of which £5,000,000 is secured by a mortgage and a fixed and floating charge over the assets of the company.

The parent company (BSSL) has bank loans which are covered by a cross guarantee with its subsidiaries and secured by a fixed and floating charge over the assets of the company. This charge ranks above the other fixed and floating charges named above. At the period end the loan balance was £9,141,954.

G R Knight has provided personal guarantees to the parent company's bankers of £800,000 and £1,200,000.

23 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2023 £	2021 £
Within one year	600,871	750,877
Between two and five years	1,403,645	1,177,798
In over five years	377,259	304,356
	<u>2,381,775</u>	<u>2,233,031</u>

24 Ultimate controlling party

The ultimate parent company is Betting Shop Services Limited.

The largest and smallest group of undertakings for which group accounts have been drawn up is that headed by Betting Shop Services Limited. Copies of the accounts can be obtained from its registered office, 4 Simon Campion Court, 232-234 High Street, Epping, Essex, CM16 4AU.

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