Annual Report and Financial Statements

Sporting Odds Limited

For the year ended 31 December 2020

SPORTING ODDS LIMITED

CONTENTS

SPORTING ODDS LIMITED

COMPANY INFORMATION

DIRECTORS
A Lewis
W Longton

INDEPENDENT AUDITOR
KPMG LLP
Chartered Accountants and Statutory Auditor
15 Canada Square
London
E14 5GL

REGISTERED OFFICE
3rd Floor
One New Change
London
EC4M 9AF

COMPANY NUMBER
03655231

SPORTING ODDS LIMITED

STRATEGIC REPORT – FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their strategic report for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The Company's principal activity is the offering of interactive betting over the internet to customers under an interim Greek licence. The Company forms part of the Entain plc group (the "Group").

The Company's key financial performance indicators during the year were as follows:

	2020	2019
	£'000	£'000
Revenue	**76,303**	53,703
Profit for the financial year	**2,200**	49,103
Shareholders' deficit	**90,557**	92,757

Revenue has increased by £22,600,000 since the prior year driven by increased customer activity. Overall profit for the year has reduced compared to last year as a result of a one off separately disclosed item in 2019 relating to the a release against the provision held for Greek tax, combined with unfavourable foreign exchange movements (2019: favourable) and increased marketing expenditure.

The shareholders deficit has reduced by £2,200,000 as a direct result of the profit made in the year.

Please see note 8 for information regarding to an ongoing tax assessment.

FUTURE DEVELOPMENTS

During 2020 the Greek Government published new regulations for the online gambling industry in Greece, which will completely replace the interim licensing regime when they take effect, expected to be in 2021. The Company has applied for a license under the new regulations to operate the Sportingbet brand in Greece. Two other companies within the Entain plc Group have applied for licenses to operate the bwin and Vistabet brands in Greece. If and when those new licenses are awarded, expected to be in 2021, the Company expects to sell its bwin and Vistabet businesses to those other companies set up within the Entain plc group. Accordingly, the operations relating to bwin and Vistabet have been presented as discontinued.

Additionally since the year end the Company has issued additional share capital to its parent, and performed a capital reduction resulting in an additional £230,372,000 credit to retained earnings. See note 14.

PRINCIPAL RISK AND UNCERTAINTIES

The principal risks and uncertainties facing the Company are broadly grouped as:

- **Economic & Financial risk**
  The Company has budgetary and financial reporting procedures, supported by appropriate key performance indicators to manage credit, liquidity and other financial risk.
- **Competitor risk**
  The Directors of the Company mange competition through close attention to market research and benchmarking with competition.
- **Legal and regulatory risk**

  From time to time the Company may be subject to legal claims and actions. The Company takes legal advice as to the likelihood of success of the claims and actions and no provision or disclosure is made where the Directors feel, based on that advice, that action is unlikely to result in a material loss or a sufficiently reliable estimate of the potential obligation cannot be made. Further information about any ongoing claims is given in note 8.

Entain plc reviews and evaluates key risks and uncertainties faced by the Group as part of the reviews undertaken at its regular board meetings. The impact of risks and uncertainties of the Company is considered as part of this review process.

The Company has no other significant risks or uncertainties other than those that arise from being a part of the Entain plc. The significant risks or uncertainties, including the Company's exposure to financial risk management are dealt with on pages 72 to 75 presented in the Annual Report 2020 of Entain plc.

S172 STATEMENT

In performing their duties under the Companies Act 2006 the Board are required to describe how they have had regard to the matters set out in section 172(1)(a) to (f).

When making decisions throughout the year the directors have taken into consideration, and had regard to, the Company's shareholders, stakeholders, business relationships, employees, reputation for high standards, the community and environment and the impact of the Board's decision making on the long term success of the business.

The Company is a wholly owned subsidiary of Entain plc and therefore the directors have also considered the wider context in which the Company operates to adhere to the high standards of professionalism, culture, values, ethics, strategy, employee well-being, and environmental and social responsibility set by the Entain group.

In discharging their duties under section 172 the directors have access to the full resource, assistance, support and guidance offered by the Entain group and are committed to driving further improvements in shareholder and stakeholder engagement.

The 2020 annual report and accounts for Entain plc can be found here: https://entaingroup.com/investor-relations/financial-reports/

FINANCIAL POSITION

As at 31 December 2020 the Company had net liabilities of £90,557,000 (31 December 2019: £92,757,000).

On behalf of the board

W Longton
Director
11 October 2021

SPORTING ODDS LIMITED

DIRECTORS' REPORT – FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their Directors' Report and the Company's audited financial statements for the year ended 31 December 2020. Comparative information is presented for the year ended 31 December 2019.

The directors of the Company who were in office during the year and up to the date of signing the financial statements were as follows:

Directors:	A Lewis W Longton
Registered Office :	3rd Floor One New Change, London, EC4M 9AF
Company Number:	03655231

RESULTS AND DIVIDENDS

The financial statements for the year show a profit for the financial year of £2,200,000 (2019: £49,103,000).

The Company has paid no dividends during the year (2019: £nil). The directors do not recommend payment of a further dividend for the year (2019: £nil).

A consideration of future developments can be found within the strategic report to these financial statements.

FINANCIAL RISK MANAGEMENT

The Company's exposure to financial risk management is outlined in the Strategic Report.

GOING CONCERN

The Company has net liabilities of £90,557,000 (2019: £92,757,000). Consequently, the Company is reliant on the continued success of the Group to be able to continue as a going concern.

The directors have performed an assessment of the Company's ability to continue as a going concern and have received written confirmation of financial support from the parent company, Entain Plc, for a period of at least 12 months from the date of approval of these financial statements by the board of directors.

Entain plc has indicated its intention not to seek repayment of the amounts currently due to the Group, which at 31 December 2020 amounted to £231,220,000 and to continue to make available such funds as are needed by the Company, until at least 31 December 2021 and for the foreseeable future. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

The Group has assessed the impact of the Covid-19 outbreak on the business and have revised the cash flow forecasts for 2021 and 2022 to take account of the consequent reduction in profits and net cash inflows. These revised forecasts indicate that the Group will remain within its present facilities and that there is sufficient covenant headroom even under the sensitised downside scenarios.

Additionally since the year end the Company has received a capital contribution from its parent, and performed a capital reduction resulting in an additional £230,372,000 credit to retained earnings. See note 14.

Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

POLITICAL DONATIONS

The Company has not made any political donations or incurred any political expenditure during the year.

DIRECTORS' INDEMNITIES AND INSURANCE

Entain plc maintains a qualifying (as defined by law) directors' and officers' liability insurance. The above-named directors, have received an indemnity from the Group to the extent permitted by law throughout the period and up to the date of signing this report. Neither the indemnity nor the insurance will provide cover in situations where a director has acted fraudulently or dishonestly.

SPORTING ODDS LIMITED

DIRECTORS' REPORT – FOR THE YEAR ENDED 31 DECEMBER 2020 (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework.*

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 and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR

Pursuant to Section 487 of the Companies Act 2006, KPMG LLP will be deemed to be reappointed and will therefore continue in office following a resolution put to the shareholders at the Annual General Meeting.

MODERN SLAVERY

Entain plc and its global subsidiaries ("The Group") recognise that companies have an obligation to ensure that their business and supporting supply chains are slavery free. The Group's full modern slavery statement can be found at https://entaingroup.com/sustainability/modern-slavery-statement/

On behalf of the Board

W Longton
Director
11 October 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPORTING ODDS LIMITED

Opinion

We have audited the financial statements of Sporting Odds Limited ("the company") for the year ended 31 December 2020 which comprise the Balance Sheet, the Income Statement, the Statement of Changes in Equity and related notes, including the accounting policies.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the company will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPORTING ODDS LIMITED (continued)

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the company has a number of income streams across its online operations, and the accuracy and completeness of the amounts recognised from these income streams is largely dependent on the effectiveness of the operational controls, including anti-fraud controls, in place to mitigate the a risk that the customer-facing and financial information systems may not interface correctly and that unauthorised changes may be made, resulting in the misstatement of revenue; and the risk that management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements such as provision for dispute.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of the company-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.
- Assessing significant accounting estimates for bias.

We assessed the disclosures in note 8 and 10 related to Greek gaming tax compared to our knowledge based on discussion with the Company's legal advisors.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Company's license to operate. We identified the following areas as those most likely to have such an effect: anti-bribery, gaming licensing, and certain aspects of company legislation recognising the regulated nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPORTING ODDS LIMITED (continued)

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. 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.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Michael Harper

Michael Harper (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
KPMG LLP
15 Canada Square
London, E14 5GL
14 October 2021

SPORTING ODDS LIMITED

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	£'000 Continuing	£'000 Discontinued	**2020 £'000 Total**	**2019 £'000 Total**
Revenue	5a	30,667	45,636	**76,303**	53,703
Cost of sales		(24,886)	(19,036)	**(43,922)**	(22,799)
Operating expenses		(13,243)	(14,926)	**(28,169)**	(710)
Operating (loss)/profit before separately disclosed items		(7,462)	11,674	**4,212**	30,194
Separately disclosed items	5b	1,898	-	**1,898**	24,271
(Loss)/profit before taxation	5c	(5,564)	11,674	**6,110**	54,465
Tax on profit	7	(1,108)	(2,802)	**(3,910)**	(5,362)
Profit and total comprehensive income for the financial year		(6,672)	8,872	**2,200**	49,103

There are no items of other comprehensive income in the year presented. Therefore, no separate statement of comprehensive income has been prepared.

The notes on pages 13 to 19 form an integral part of these financial statements.

SPORTING ODDS LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2020 | **Company number: 03655231**

	Note	2020 £'000	2019 £'000
CURRENT ASSETS			
Trade and other receivables	8	**179,155**	161,853
Cash at bank and in hand		**7,389**	8,760
		186,544	170,613
CURRENT LIABILITIES			
Trade and other payables	9	**(265,847)**	(214,107)
Provisions for liabilities and charges	10	**(11,254)**	(49,263)
		(277,101)	(263,370)
NET CURRENT LIABILITIES		**(90,557)**	(92,757)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(90,557)**	(92,757)
NET LIABILITIES		**(90,557)**	(92,757)
EQUITY			
Issued share capital	11	**1,000**	1,000
Share premium account		**1,500**	1,500
Retained deficit		**(93,057)**	(95,257)
TOTAL SHAREHOLDERS' DEFICIT		**(90,557)**	(92,757)

The notes on pages 13 to 19 form an integral part of these financial statements.

The financial statements on pages 10 to 19 were approved by the board of directors on 11 October 2021 and were signed on its behalf by:

W. L

W Longton
Director

SPORTING ODDS LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Called share capital	Share premium account	Retained deficit	Total shareholders' deficit
	£'000	£'000	£'000	£'000
At 31 December 2018	**1,000**	**1,500**	**(144,360)**	**(141,860)**
Profit and total comprehensive income for the year	-	-	49,103	49,103
At 31 December 2019	**1,000**	**1,500**	**(95,257)**	**(92,757)**
Profit and total comprehensive income for the year	-	-	2,200	2,200
At 31 December 2020	**1,000**	**1,500**	**(93,057)**	**(90,557)**

The notes on pages 13 to 19 form an integral part of these financial statements.

1. CORPORATE INFORMATION

Sporting Odds Limited ('the Company') is a private company limited by shares incorporated and domiciled in England and Wales within the United Kingdom. The address of its registered office and principal place of business is disclosed in the Directors' Report.

The financial statements of the Company for the year ended 31 December 2020 were authorised for issue in accordance with a resolution of the directors.

2. BASIS OF PREPARATION

These financial statements were prepared in accordance with The Companies Act 2006 as applicable to companies using Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The financial statements are prepared under the historical cost convention.

The Company's financial statements are presented in sterling. The Company's functional currency is Euros, and all values are rounded to the nearest thousand pounds (£'000) except when otherwise indicated. The Company's financial statements are individual entity financial statements.

The accounting policies which follow in note 4 set out those policies which apply in preparing the financial statements for the period ended 31 December 2020. These policies have been applied consistently other than those newly adopted in the year.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of IAS16.73 (e) comparative information;
- IAS 8.30-31 Accounting Policies, Changes in Accounting Estimates and Errors;
- IAS 24 Related Party Disclosures and the requirements of paragraph 17 of IAS 24;
- Paragraphs 113 (a), 114, 115, 118, 119a) to (c), 120 to 127 and 129 of IFRS 15 revenue from Contacts with Customers.
- Disclosures in respect of the compensation of Key Management Personnel;
- Disclosures of transactions with a management entity that provides key management personnel services to the Company; and
- Disclosures required by IFRS 5 Non-current Assets Held for Sale and Discontinued Operations in respect of the cash flows of discontinued operations.

As the consolidated financial statements of Entain Plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share-Based Payments in respect of group settled share-based payments
- Certain disclosures required by IAS 36 Impairment of assets in respect of the impairment of goodwill and indefinite life intangible assets;
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

New standards and IFRIC interpretations

The Company has adopted the following IFRSs in these financial statements from 1 January 2020:

- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform;
- Amendments to IFRS 3: Definition of a Business;
- Amendments to References to the Conceptual Framework in IFRS Standards.
- • Amendments to IAS 1 and IAS 8: Definition of Material.

These new accounting standards, or amendments to accounting standards, or IFRIC interpretations that are effective for the period ended 31 December 2020, did not have a material impact on the Company.

3. KEY JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements requires management to make assumptions, estimates and judgements that affect the amounts reported as assets and liabilities as at the balance sheet date and the amounts reported as revenues and expenses during the year. Use of available information and application of judgement are inherent in the formation of estimates. Actual results in the future may differ from those reported. In this regard, management believes that the accounting policies where judgement is necessarily applied are those set out below.

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. The following estimates are dependent upon assumptions which could change in the next financial year and have a material effect on the carrying amounts of assets and liabilities recognised at the balance sheet date.

Provisions for liabilities

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

See notes 8 and 10 for further information on specific provisions made by the Company.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Going concern

The Company has net liabilities of £90,557,000 (2019: £92,757,000). Consequently, the Company is reliant on the continued success of the Group to be able to continue as a going concern.

The directors have performed an assessment of the Company's ability to continue as a going concern and have received written confirmation of financial support from the parent company, Entain Plc, for a period of at least 12 months from the date of approval of these financial statements by the board of directors.

Entain plc has indicated its intention not to seek repayment of the amounts currently due to the Group, which at 31 December 2020 amounted to £231,220,000 and to continue to make available such funds as are needed by the Company, until at least 31 December 2021 and for the foreseeable future. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

The Group has assessed the impact of the Covid-19 outbreak on the business and have revised the cash flow forecasts for 2021 and 2022 to take account of the consequent reduction in profits and net cash inflows. These revised forecasts indicate that the Group will remain within its present facilities and that there is sufficient covenant headroom even under the sensitised downside scenarios.

Additionally since the year end the Company has received a capital contribution from its parent, and performed a capital reduction resulting in an additional £230,372,000 credit to retained earnings. See note 14.

Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.2 Financial assets

Financial assets are recognised when the Company becomes party to the contracts that give rise to them.

The Company classifies financial assets at inception as financial assets at amortised cost, financial assets at fair value through profit or loss or financial assets at fair value through other comprehensive income.

Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. On initial recognition, financial assets at amortised cost are measured at fair value net of transaction costs.

Trade receivables are generally accounted for at amortised cost. Expected credit losses are recognised for financial assets recorded at amortised cost, including trade receivables. Expected credit losses are calculated by using an appropriate probability of default, taking accounts of a range of possible future scenarios and applying this to the estimated exposure of the Company at the point of default.

Financial liabilities

Financial liabilities are recognised on the balance sheet when the Company becomes a party to the contractual provisions of the instrument. The Company determines the classification of financial liabilities at initial recognition. Financial liabilities comprise of interest-bearing loans.

Loans and borrowings

On initial recognition, loans and borrowings are recognised at fair value net of transaction costs. After initial recognition, interest-free, unsecured loans are measured at amortised cost using the effective interest method.

4.3 Derecognition of financial assets and liabilities

Financial assets are derecognised when the right to receive cash flows from the assets has expired or when the Company has transferred its contractual right to receive the cash flows from the financial assets or has assumed an obligation to pay the received cash flows in full without material delay to a third party, and either:
— substantially all the risks and rewards of ownership have been transferred; or
— substantially all the risks and rewards have neither been retained nor transferred but control is not retained.

Financial liabilities are derecognised when the obligation is discharged, cancelled or expires.

4.4 Revenue

Turnover is recognised on settlement of the bet and measured at the fair value of consideration received or receivable and comprises:

Casino:	net win/loss in respect of bets placed on casino games that have concluded in the year, stated net of promotional bonuses.
Sportsbook:	gains and losses in respect of bets placed on sporting events in the year, stated net of promotional bonuses. Open positions are carried at fair market value and gains and losses arising on this valuation are recognised in revenue, as well as gains and losses realised on positions that have closed.
Poker:	net win in respect of rake for poker games that have concluded in the period, stated net of promotional bonuses.

4.5 Separately disclosed items

To assist in understanding its underlying performance, the Company has defined the following items of pre-tax income and expense which are separately disclosed as they either reflect items which are exceptional in nature or size or are associated with the amortization of acquired intangibles. Items treated as separately disclosed include:

- regulatory charges associated with certain claims and taxes in relation to Greek gaming tax.

The separate disclosure of these items allows a clearer understanding of the trading performance on a consistent comparable basis, together with an understanding of the effect of non-recurring or large individual transactions upon the overall profitability of the Company. Further details are given in note 5b.

4.6 Income tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4.6 Income tax (continued)

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- Deferred income tax assets are recognised only to the extent that it is probably that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date.

Deferred income tax assets and liabilities are offset, only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the Company to make a single net payment. Income tax is charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

5. DISCLOSURES RELATING TO THE INCOME STATEMENT

5a. PERFORMANCE BY GEOGRAPHY

The revenue by type and results for the Company split by geographical market were as follows:

	Greece		Rest of World		Total	
	2020	2019	**2020**	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Casino	**52,442**	34,329	**54**	108	**52,496**	34,437
Sportsbook	**22,017**	18,024	**49**	141	**22,066**	18,165
Poker	**1,739**	1,091	**-**	-	**1,739**	1,091
Other	**2**	10	**-**	-	**2**	10
Total revenue	**76,200**	53,454	**103**	249	**76,303**	53,703
Costs of sales	**(43,919)**	(22,788)	**(3)**	(11)	**(43,922)**	(22,799)
Operating expenses	**(19,545)**	(3,689)	**(8,624)**	2,979	**(28,169)**	(710)
Operating profit/(loss)	**12,736**	26,977	**(8,524)**	3,217	**4,212**	30,194
Separately disclosed items	**1,898**	24,274	**-**	(3)	**1,898**	24,271
Profit/(loss) before tax	**14,634**	51,251	**(8,524)**	3,214	**6,110**	54,465

5b. SEPARATELY DISCLOSED ITEMS

	2020	2019
	£'000	£'000
Greek tax audit assessment [(a)]	**1,898**	24,271

(a) In January 2018, the Group announced that it had received a tax audit assessment for £186,853,000 from the Greek Audit Centre for Large Enterprises in respect of 2010 and 2011. In 2020 a release against the provision of £1,898,000 (2019: £24,271,000) was made following a reassessment of the likely liability. See note 8 for further information.

5c. PROFIT BEFORE TAX

This is stated after (charging)/crediting:	**2020**	2019
	£'000	£'000
Auditor's remuneration - audit of the financial statements	**(8)**	(8)
Foreign exchange (losses)/gains	**(8,352)**	5,410
Separately disclosed items (see note 5b)	**1,845**	24,271

6. DIRECTORS' AND EMPLOYEES' REMUNERATION

No director received any emoluments in respect of services to the Company (2019: nil) and were remunerated through other group companies.

The Company does not have any employees (2019: none). Management services are provided to the Company by a fellow subsidiary company. No charge is made for these services (2019: £nil).

7. TAXATION

(a) Taxation in the income statement

	2020	2019
	£'000	£'000
Current tax		
UK corporation tax – current year	-	4,324
Less: Double tax relief	-	(4,324)
	-	-
Overseas corporation tax – current year	**3,047**	5,403
UK corporation tax – prior year	**863**	(41)
Total current tax	**3,910**	5,362
Taxation in the income statement	**3,910**	5,362

(b) Reconciliation of the total income tax charge

	2020	2019
	£'000	£'000
Profit before taxation	**6,110**	54,465
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19.00% (2019 – 19.00%)	**1,161**	10,348
Adjusted for the effects of:		
Additional tax arising on foreign operations	**3,047**	1,079
Non-taxable release of Greek audit assessment	**(351)**	(5,452)
Non-deductible expenses	**1,597**	-
Adjustment in respect of prior year	**863**	(41)
Group relief claimed for nil consideration	**(2,407)**	(572)
Total tax on profit reported in the income statement	**3,910**	5,362

(c) Change in corporation tax rate

In the Budget on 11 March 2020 the Chancellor announced that the standard rate of UK Corporation Tax would increase from the planned 17% rate to 19% on 1 April 2020. This change was substantively enacted on 17 March 2020 and therefore the deferred tax assets and liabilities at the balance sheet date are calculated at the substantively enacted rate of 19%.

In the Budget on 3 March 2021 the Chancellor announced that the standard rate of UK Corporation Tax would increase from the planned 19% rate to 25% on 1 April 2023. This change has not yet been substantively enacted.

8. TRADE AND OTHER RECEIVABLES

Amounts falling due within one year

	31 December 2020 £'000	31 December 2019 £'000
Amounts owed by group companies	**42,492**	43,833
Other debtors	**5,906**	419
Prepayments	**373**	32
Corporation tax debtor	**-**	1,353
Other tax debtors	**130,384**	116,216
	179,155	161,853

Amounts owed by other group undertakings are included under amounts falling due within one year as they are repayable on demand.

In the year ended 31 December 2018, the Company recognised a charge of £186,853,000 in the Income Statement within non-trading items for potential Greek tax liabilities for the years 2010 to 2017. Of the charge recognised, €51,400,000 (£46,100,000) related to 2010/11 for which the Company received an assessment of €186,800,000 in 2017.

2010/11

The Company's appeal against the original assessment in respect of 2010 and 2011 was heard before the Administrative Court of Appeal in Athens on 13 January 2020 and a second hearing took place on 10 May 2021. Whilst we do not expect to hear the verdict until mid 2021, the Directors remain confident that the Court will find that the original assessment was out of all proportion to the size of the Company's Greek business at the time.

By 31 December 2020 the Company had paid all of the 2010/2011 Assessment of €186.8m plus associated interest. As at 31 December 2020, the total payments made in respect of the Assessment exceed our best estimate of the liability for these years by £130,384,000, and accordingly this is recorded as a receivable in the Company's balance sheet (2019: £116,216,000). In the event of a successful appeal, recovery of the debtor will be through either a repayment or an ability to offset future tax liabilities.

2012-2017

Since the 2019 year end the Company has received final sign off of the 2015 and 2016 Greek tax re-submissions but still awaits final sign off of the 2017 re-submission. The Company has now made all tax payments against the 2012-2017 tax liabilities and has made a provision for the remaining associated fees. The statutory window in Greece for the tax authorities to conclude their audit work is generally six years from the end of the relevant tax year. As such, the conclusions of the tax audits and any associated tax payments remains uncertain.

9. TRADE AND OTHER PAYABLES

	31 December 2020 £'000	31 December 2019 £'000
Amounts owed to group companies	**231,220**	206,209
Other creditors	**10,726**	3,431
Other tax and social security	**15,381**	4,032
Corporation tax creditor	**8,510**	-
Accruals	**10**	435
	265,847	214,107

Amounts owed to group undertakings are included under amounts falling due within one year where they are subject to repayment at any time by either the Lender or the Borrower giving written notice to the other.

10. PROVISIONS FOR LIABILITIES AND CHARGES

	Total
	£'000
At 1 January 2020	49,263
Utilised	(38,303)
Released	(1,898)
Foreign exchange	2,192
At 31 December 2020	**11,254**

(1)All provisions are classified as current and include regulatory provisions associated with certain claims and taxes. See note 8 for further details.

11. CALLED UP SHARE CAPITAL

Authorised, allotted, called up and fully paid:

	At 31 December 2020 and at 31 December 2019	
	Number '000	£'000
Ordinary shares of £1 each	1,000	1,000

The Company's share capital consists entirely of ordinary shares, accordingly all shares rank pari passu in all respects.

12. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption under paragraph 8(k) of FRS 101 not to disclose transactions with fellow wholly owned subsidiaries or the requirements of paragraph 17 of IAS 24 Key Management Compensation. There were no transactions with any other related parties in the year (2019: £nil).

13. IMMEDIATE AND ULTIMATE PARENT UNDERTAKING

The immediate parent undertaking of the Company as at 31 December 2020 is Sportingbet Holdings Limited, a company with the registered address 3rd Floor, One New Change, London, EC4M 9AF and the ultimate parent undertaking at the year end was Entain plc, a company registered in The Isle of Man. The only group preparing consolidated group financial statements which include the Company is Entain plc for the year ended 31 December 2020.

Copies of the Annual Report and Financial Statements for Entain plc can be obtained from the registered office of the Company at 3rd Floor One New Change, London, United Kingdom, EC4M 9AF or from the corporate website at https://entaingroup.com/investor-relations/financial-reports/.

14. SUBSEQUENT EVENTS

On 28 July 2021 the Company issued of 227,872,297 ordinary shares of £1 each at par value to its parent, Sportingbet Holdings Limited, increasing the Company share capital to £228,872,297. In addition, Sportingbet Holdings Limited settled its payable to the company of £40,879,000.

The company used the funds to settle group payables of £185 million and to make a loan of £84 million to a fellow group subsidiary. This loan is repayable on demand.

Subsequent to this the Company performed a capital reduction to reduce its share capital from 228,872,297 shares of £1 each to a single share of £1 by cancelling and extinguishing all but one of the issued ordinary shares of £1 each. The Company also cancelled the share premium account of £1,500,000.

The above transactions resulted in a credit to retained earnings of £230,372,297.