

**Gamesys Group Limited
(formerly Gamesys Group plc)**

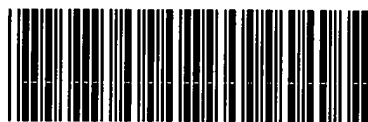
Annual report and Financial Statements

Year Ended

31 December 2021

Company Number 10303804

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Gamesys Group Limited

Annual report and financial statements for the year ended 31 December 2021

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Directors

Robeson Reeves
Daniel Talisman
Ifor Evans
Bradley Muffitt

Company Secretary

John Rowland – Jones

Registered office

Colegrave House
70 Berners Street
London
W1T 3NL
United Kingdom

Company number

10303804

Auditor

BDO LLP, 55 Baker Street, London, W1U 7EU

Gamesys Group Limited

Strategic report for the year ended 31 December 2021

The directors present their strategic report for the year ended 31 December 2021.

Review of the business

The company's principal activities during the period were that of a holding company. The Company provides support to its subsidiaries for the development of gaming software platforms and licencing to group and external companies operating online gaming websites.

Results and performance

A summary of the Company's results is provided in the Statement of Comprehensive Income on page 11 of the financial statements and is in line with directors' expectations.

The key financial and other performance indicators during the period were as follows:

KPI	December 2021 (£'000)	December 2020 (£'000)	Change (%)
Revenue	10,848	14,613	-29%
Net income before tax	91,569	58,310	57%
Net Current Assets	84,297	21,866	286%
Cash	3,684	61,835	-94%

Revenue decreased by 29% from £14,613k in 2020 to £10,848k in 2021.

Transaction related costs increased by £25,082k from £2,443k to £27,525k was primarily due to the acquisition of the Company by Bally's Corporation. Of this £2,360k relates to share-based payments which occurred as a result of the Gamesys Group acquisition by Bally's Corporation.

Net income before tax increased by 57%, from £58,310k to £91,569k primarily as a result of an increase in investment income during the year from the Company's subsidiaries. Period end cash balances decreased from £61,835k to £3,684k due to the settlement of long-term debts as a result of the Bally's acquisition, and also due to an increase in dividends paid during the year.

On the Statement of financial position, notable changes included a decrease in debtors from £240,892k to £139,899k, a result of decreased intercompany receivables. Creditors fell from £501,422k to £59,286k as a result of a settlement in outstanding inter-company balances and the termination of the Company's credit facilities.

Total equity grew from £719,653k to £1,124,051k.

These results included £137,471k (December 2020 - £71,500k) arising from dividends received from subsidiaries.

Business model

Gamesys Group Limited's key revenue streams are from fellow companies under the Gamesys Group, all of which use Gamesys Group Limited's content in their B2C operations. The online gaming markets in which the companies operate remain highly competitive and highly regulated.

Strategy

Against a challenging environment, we aim to grow by continuously providing our customers with innovative games and pursuing our current excellence in technology, marketing, product development and customer service.

Gamesys Group Limited

Strategic report for the year ended 31 December 2021 (continued)

Principal risks and uncertainties

The Company's principal activity is that of a holding company and therefore its operational results and dividend payments primarily depend on the operations and dividend streams of its subsidiaries (disclosed in note 28). The Company is exposed to market and performance risks due to the potential underperformance of its subsidiaries which could reduce the Company's revenue and may impair its investment assets.

The Company mitigates these risks by adhering to the Group management strategies as reported in the individual annual reports of the subsidiaries.

Future developments and going concern

The Company continues to invest in its subsidiaries to sustain future growth. 2023 will bring more change as the Company and its subsidiaries continue its integration with the Bally's Group.

The Gambling Act review in the UK came in to effect on 12 September 2022 with a primary focus on ensuring operators identify gambling related harm and act in a timely manner. Other guidance includes preventing marketing and bonuses fair at risk customers and to perform a full in-depth analysis into their player protection processes. This has the potential to significantly impact the market in which the Company's subsidiaries operate in upcoming periods. Nevertheless, in the current environment, the Directors expect the Company's subsidiaries to maintain their market share and continue to grow.

The Company is the 100% owner of the highly profitable subsidiary Gamesys Limited, which had net assets in excess of £693,000k at 31 December 2022. The Company is a subsidiary of the Bally's Corporation with net assets in excess of \$806,000k as at 31 December 2022. The directors have performed a full going concern assessment, alongside the wider Bally's Group and its profitable subsidiary group headed by Gamesys Limited and concluded the Company is a going concern.

Section 172 statement

We value the opinions of our stakeholders, actively engage with them and respond to their priorities. This takes place at a director level but also throughout the business.

All Company directors understand their responsibility to act in ways that promote the success of the Company and apply due regard to the views of all key stakeholder groups – investors, employees, players, partners, government/regulators, and society. Feedback from engagements is used to guide the strategic direction of the Company.

Following the acquisition of Gamesys Group Plc by Bally's Corporation on 6 October 2021 a transition and integration period commenced. With this being close to year-end it has had no material impact on the process for stakeholder engagement and integration into strategic decisions during the year.

The following disclosure describes how the directors have had regard to the matters set out in section 172(1a) to (f) and forms the Directors' statement required under section 414CZA of the Companies Act 2006, during the reporting year.

Gamesys Group Limited

Strategic report for the year ended 31 December 2021 (continued)

Section 172 statement (continued)

	Strategic issue	Engagement	Outcome
Investors	Shareholder returns and ESG ('environment, social and governance') performance.	Direct interactions between shareholders and the board.	Enhancements to ESG reporting and ESG rating schemes.
Employees	Organisation culture and job satisfaction.	Engagement survey. Quarterly internal presentations. Employee Voice representative. Roundtables.	Extended Volunteering Policy. Launched employee-led charitable giving ('Making Smiles').
Players	Player satisfaction and net promoter score.	Player satisfaction survey. Online research community of circa 9,000 players ('VoiceBox'). Focus groups. Chat rooms.	Feedback is continually used to shape and hone product offering and development. Safe playing environment. Legal and ethical operation.
Partners	Industry and operational success.	Industry working groups. Supplier account meetings. Research partnerships. Charity partnerships.	Responsible gambling. Charity support.
Government & regulators	Compliance and responsible gambling.	Compliance and reporting meetings. Regulatory body working groups. Participation in Government initiatives e.g., GAMSTOP.	On-going compliance with all applicable regulatory standards. Active membership as a Category A member of the Betting and Gaming Council (BGC) and using this to drive industry best practice and government engagement.
Society	Operating responsibly	Press coverage. Social media. Local community interactions.	Sustainability is one of the core business strategic pillars. Gamesys Group board-level ESG Committee and the Gamesys Foundation, continued support and oversight. Post-acquisition these have both been adopted by Bally's Corporation.

Approval

This Strategic Report was approved on behalf of the Board on 26 April 2023



Daniel Talisman
Director

Date: 26 April 2023

Gamesys Group Limited

Directors' report for the year ended 31 December 2021

The directors present their report together with the audited financial statements of the Company for the year ended 31 December 2021.

Dividends and distributions

Dividends of £57,192,000 (December 2020 - £13,027,000) were paid to the Company's shareholders during the year. No final dividend is proposed.

Directors

The directors of the company throughout the year and to the date of this report were:

Lee Fenton (Resigned 30 March 2023)
Robeson Reeves
Neil Goulden (Resigned 1 October 2021)
Nigel David Brewster (Resigned 1 October 2021)
James Alan Ryan (Resigned 1 October 2021)
Catherine Vanneck-Smith (Resigned 1 October 2021)
Colin Sturgeon (Resigned 1 October 2021)
Andria Vidler (Resigned 1 October 2021)
Daniel Talisman (Appointed 1 October 2021)
Christina Dawn Southall (Appointed 9 March 2021, resigned 10 February 2023)
Keith Laslop (Resigned 11 March 2022)
Ifor Evans (appointed 31 March 2023)
Bradley Muffitt (appointed 31 March 2023)

Qualifying third party indemnity provisions

The ultimate parent company, Bally's Corporation has put in place qualifying third party indemnity provisions for all the directors of Gamesys Group Limited.

Donations

The Company made no charitable or political donations in either year.

Post balance sheet events

Material post balance sheet events are disclosed in note 31 of the financial statements.

Likely future developments in the business of the company

Information on likely future developments have been included in the Strategic Report on page 2.

Gamesys Group Limited

Directors' report for the year ended 31 December 2021 (continued)

Auditors

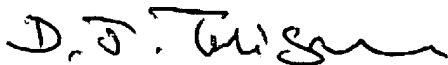
All of the directors as at the date of this report have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information. The directors are not aware of any relevant audit information of which the company's auditor is unaware.

Matters covered in the strategic report

As permitted by S414c(11) of the Companies Act 2006, the directors have elected to disclose information, required to be in the directors' report by Schedule 7 of the 'Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008', in the strategic report.

Approval

This Directors' Report was approved on behalf of the Board On 26 April 2023



Daniel Talisman
Director

Gamesys Group Limited

Statement of directors' responsibilities

Directors' responsibilities

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 period. Under that law the directors have elected to prepare the Company financial statements in compliance with UK-adopted International Financial Reporting Standards ('IFRS') in accordance with UK-adopted International Accounting Standards ('UK-adopted IFRS'). 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 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 accounting estimates that are reasonable and prudent.
- state whether applicable UK-adopted IFRS have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Gamesys Group Limited

Independent auditor's report

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Gamesys Group Limited ("the Company") for the year ended 31 December 2021 which comprise the Statement of comprehensive income, Statement of financial position, Statement of changes in equity, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied is applicable law and UK adopted international accounting standards.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

Conclusions relating to going concern

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

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

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

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Directors report and financial statements, other than the financial statements and our auditor's report thereon. 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.

Gamesys Group Limited

Independent auditor's report (*continued*)

Other Companies Act 2006 reporting

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

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

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

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

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

Responsibilities of Directors

As explained more fully in the Statement of Directors Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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.

Gamesys Group Limited

Independent auditor's report (*continued*)

Extent to which the audit was capable of detecting irregularities, including fraud

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:

- We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates and considered the risk of acts by the company being contrary to applicable laws including, but not limited to, the Companies Act 2006, United Kingdom Generally Accepted Accounting Practice and relevant tax legislation.
- We considered compliance with these laws and regulations through discussions with management and those charged with governance.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur.
- Based on the understanding obtained, we designed audit procedures to identify non-compliance with the laws and regulations, as noted above.
- We identified the potential for fraud in the following areas and performed the following procedures:
 - management override of controls: we evaluated management's rationale, incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial results and management bias in accounting estimates and judgements. Audit procedures performed included:
 - challenging assumptions made by management in making material accounting estimates;
 - identifying and testing entries, in particular any journal entries to revenue which are not in line with expectations and reviewing journal entries for inconsistency with the usual business transactions of the company.
- We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

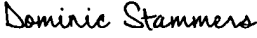
A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Gamesys Group Limited

Independent auditor's report (*continued*)

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.

DocuSigned by:

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Dominic Stammers (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
27 April 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Gamesys Group Limited

Statement of Comprehensive Income for the year ended 31 December 2021

	Note	2021 £'000s	2020 £'000s
Revenue	5	10,848	14,613
Investment income	8	137,471	71,500
Costs and expenses			
Administrative costs	6	(10,149)	(11,978)
Transaction related costs	7	(27,525)	(2,443)
Foreign exchange gain/(loss)		(104)	(4,940)
Intercompany expenses		(7,930)	(227)
Operating profit		102,611	66,525
Intercompany finance (expense)/income		5,922	3,986
Financing income	10	6,873	-
Financing expenses	9	(23,837)	(12,201)
Net income for the year before taxes		91,569	58,310
Tax credit/(expense)	11	3,755	-
Net income for the year after taxes		95,324	58,310
Other comprehensive income			
Gain/(loss) on currency swap:			
Current year gain/(loss)	12,15	(3,874)	2,043
Reclassification to profit or loss on termination	9	11,083	-
Gain/(loss) on interest rate swap:			
Current year gain/(loss)	12,15	492	(1,620)
Reclassification to profit or loss on termination	9	3,506	-
Other comprehensive gain for the year		11,207	423
Total comprehensive income for the year		106,531	58,733

All transactions in the current and preceding financial period are attributable to continuing activities.

The notes on pages 15 to 37 form part of these financial statements.

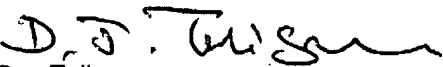
Gamesys Group Limited

Statement of financial position as at 31 December 2021

	Note	2021 £'000s	2020 £'000s
ASSETS			
Non-current assets			
Investment in subsidiaries	28	1,039,753	918,337
Tangible assets	13	1	11
Other long-term receivables		-	154
Total non-current assets		1,039,754	918,502
Current assets			
Cash	19	3,684	61,835
Trade and other receivables	14,19	2,390	510
Intercompany receivables	14,19	137,509	240,228
Total current assets		143,583	302,573
Total Assets		1,183,337	1,221,075
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued liabilities	16,17,19	5,047	2,569
Other short-term payables	17,19,20	11,315	65
Current portion of currency and interest rate swap payable	3,15,20	-	3,669
Intercompany payables	16,19	41,742	273,727
Interest payable	12,19	1,182	677
Total current liabilities		59,286	280,707
Non-current liabilities			
Other long-term payables	20	-	13,117
Long-term debt	17,19	-	207,598
Total non-current liabilities		-	220,715
Total Liabilities		59,286	501,422
Equity			
Share capital	21	11,200	10,930
Share premium		363,765	8,900
Other reserves		240,625	232,721
Retained earnings		508,461	467,102
Total equity		1,124,051	719,653
Total Liabilities and equity		1,183,337	1,221,075

The notes on pages 15 to 37 form part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 26 April 2023


Dan Talisman
Director


Robeson Reeves
Director

Gamesys Group Limited

Statement of changes in equity for the period ended 31 December 2021

	Note	Share capital £'000s	Share premium £'000s	Hedge Reserves £'000s	Merger reserve £'000s	Share-based payment reserve £'000s	Retained Earnings £'000s	Total equity £'000s
Balance at 1 January 2020		10,867	4,685	(11,630)	240,625	1,367	420,531	666,445
Comprehensive income for the year								
Net income for year		-	-	-	-	-	58,310	58,310
Other comprehensive income		-	-	423	-	-	-	423
Total comprehensive (loss)/income for the year		-	-	423	-	-	58,310	58,733
Contributions by and distributions to shareholders								
Shareholder dividends	22	-	-	-	-	-	(13,027)	(13,027)
Exercise of options	23	63	4,215	-	-	(1,288)	1,288	4,278
Payment of long-term incentive plan		-	-	-	-	(385)	-	(385)
Share-based compensation	23	-	-	-	-	3,609	-	3,609
Balance at 1 January 2021		10,930	8,900	(11,207)	240,625	3,303	467,102	719,653
Comprehensive income for the year								
Net income for year		-	-	-	-	-	95,324	95,324
Other comprehensive income		-	-	11,207	-	-	-	11,207
Total comprehensive income for the year		-	-	11,207	-	-	95,324	106,531
Contributions by and distributions to shareholders:								
Shareholder dividends	22	-	-	-	-	-	(57,192)	(57,192)
Exercise of options	21	37	2,493	-	-	(768)	768	2,530
Exercise of warrants	21	30	3,120	-	-	-	(471)	2,679
Payment of short-term incentive plan	21	-	-	-	-	(1,644)	-	(1,644)
Share-based compensation	23	-	-	-	-	12,917	-	12,917
Share-based payment scheme settlement		-	-	-	-	(13,808)	2,930	(10,878)
Exercise of options at share-based payment scheme settlement	21	203	11,415	-	-	-	-	11,618
Contribution by shareholder	29	-	337,837	-	-	-	-	337,837
Balance at 31 December 2021		11,200	363,765	-	240,625	-	508,461	1,124,051

Gamesys Group Limited

Statement of Cash Flows for the period ended 31 December 2021

	Note	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Operating activities			
Net income for the period		95,324	58,310
Non-cash adjustments	29	20,074	13,339
Net changes in working capital	29	(2,590)	(487)
Taxes paid		(366)	-
Total cash provided by operating activities		112,442	71,162
Financing activities			
Proceeds from exercise of warrants	23	2,679	-
Proceeds from exercise of options	23	2,143	4,278
Payment of long-term incentive plan		-	(385)
Debt issuance and repricing costs		-	(338)
Payment of one-time employee incentive		(1,644)	-
Payment of shareholder dividends	22	(57,192)	(13,027)
Principal payments made on long-term debt	17,19	(100,000)	(40,000)
Settlement of swap arrangements	15	(8,608)	-
Swap payments	15	(1,561)	(3,181)
Interest payments		(6,193)	(10,676)
Repayment of intercompany interest		-	(2,161)
Proceeds from intercompany interest		-	19,224
Proceeds from intercompany loan		-	30,500
Total cash used in financing activities		(170,376)	(15,766)
Investing activities			
Purchase of tangible assets		-	-
Investment in subsidiaries	28	(217)	-
Total cash provided by investing activities		(217)	-
Net increase in cash during the year		(58,151)	55,396
Cash, Beginning of year		61,835	6,439
Cash, end of year		3,684	61,835

The Company's significant non-cash transactions are disclosed in note 29 and comprised of share-based compensation expense, interest expense and foreign exchange losses.

The notes on pages 15 to 37 form part of these financial statements

Gamesys Group Limited

Notes forming part of the financial statements for the year ended 31 December 2021

1 Accounting policies

Gamesys Group Limited (formerly Gamesys Group plc) is an online gaming holding company that was incorporated under the Companies Act 2006 (England and Wales) on 29 July 2016. Gamesys Group Limited's registered office is located at Colegrave House, 70 Berners Street, London, United Kingdom. Unless the context requires otherwise, use of 'Company' means Gamesys Group Limited.

The Company is exempt by virtue of s401 of the Companies Act 2006 from the requirement to prepare group financial statements, because it is included in the Group accounts of its ultimate parent Bally's Corporation a company registered in the United States of America. These financial statements present information about the Company as an individual undertaking and not about its group.

These Financial Statements were authorised for issue by the Board of Directors of Gamesys Group Limited on 25 April 2023.

2 Basis of preparation

These Financial Statements have been prepared by management on a going concern basis, are presented in compliance with International Financial Reporting Standards ('IFRS') in accordance with UK-adopted international accounting standards ('UK-adopted IFRS').

In adopting the going concern basis of preparation of these Financial Statements, management considered the Company's latest trading performance, including its cash position. Based on this examination, management concluded that the Company is well positioned to manage the risks and uncertainties it faces and is expected to have adequate financial resources to continue its normal operations for the foreseeable future, being over one year from the date of authorisation of these Financial Statements.

These Financial Statements have been prepared under the historical cost convention, other than for the measurement at fair value of the Company's Interest Rate Swap and Currency Swap.

Recent accounting pronouncements

The following UK-adopted IFRSs have been issued but have not been applied in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated.

- IAS 37 – Onerous Contracts (cost of fulfilling a contract - effective 1 January 2022);
- IAS 16 – Property, Plant and Equipment (proceeds before intended use - effective 1 January 2022);
- Annual Improvements to IFRS Standards 2018- 2020: amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 - effective 1 January 2022);
- IAS 1 – Presentation of Financial Statements (classification of liabilities as current or non-current - effective 1 January 2023).
- IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors to introduce a new definition for accounting estimates (effective date to be confirmed).
- IAS 1 – Presentation of Financial Statements and IFRS Practice Statements 2 Making Materiality Judgements (effective date to be confirmed).
- IAS 12 – Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (effective date to be confirmed).
- IFRS 17 – Insurance Contracts (effective date to be confirmed).

The company will not be adopting any of the above standards prior to their effective dates and they are not expected to have a material impact on the Company's reporting.

Gamesys Group Limited

Notes forming part of the financial statements for the year ended 31 December 2021

3 Summary of significant accounting policies

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable from customers and represents amounts receivable for goods and services that the Company is in business to provide, net of discounts, marketing inducements and VAT.

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably).

Dividends paid

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market accessible by the Company for the asset or liability.

Gamesys Group Limited uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the Financial Statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation at the end of each reporting period.

Foreign currency translation

Functional and presentation currency

The Company's Financial Statements are presented in pounds sterling.

Foreign currency transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates as at the reporting date. Foreign exchange gains and losses resulting from the settlement or translation of monetary items are recognised in profit and loss.

Gamesys Group Limited

Notes forming part of the financial statements For the year ended 31 December 2021 (*continued*)

3 Summary of significant accounting policies (*continued*)

Foreign currency translation (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item.

Financial instruments

Financial assets and financial liabilities are recognised when Gamesys Group Limited becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire, or when the financial asset and all substantial risks and rewards are transferred. Financial liabilities are derecognised when extinguished, discharged, cancelled, or when they expire.

The Company classifies its financial assets and liabilities under the following categories: fair value through profit or loss ('FVPL'), fair value through other comprehensive income ('FVOCI'), financial assets at amortised cost and financial liabilities at amortised cost. All financial instruments are recognised initially at fair value. Transaction costs that are directly attributable to the acquisition or issue of a financial instrument classified as other than at FVPL are added to the carrying amount of the asset or liability.

The accretion of these costs is recognised over the life of the instrument in accretion on financial liabilities under the effective interest rate method described below.

Financial assets at amortised cost

Financial assets at amortised cost are non-derivative financial instruments with fixed or determinable payments that are not quoted in an active market. After initial measurement, such instruments are subsequently measured at amortised cost using the effective interest rate ('EIR') method, less impairment.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest income or expense in the Statements of Comprehensive Income. This category generally applies to cash, restricted cash, trade and other receivables, and other long-term receivables.

Financial liabilities at amortised cost

With the exception of derivatives, all financial liabilities are measured at amortised cost using the effective interest rate method. This category generally applies to interest payable, accounts payable and accrued liabilities, other short-term payables, payable to players, lease liabilities, long-term debt, and other long-term payables. All interest-related charges are reported in profit or loss within interest expense.

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the Balance Sheets if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Derivative financial instruments

Gamesys Group Limited uses derivative instruments for risk management purposes. The Company does not use derivative instruments for speculative trading purposes. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value at each reporting period end. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Gamesys Group Limited

Notes forming part of the financial statements For the year ended 31 December 2021 (continued)

3 Summary of significant accounting policies (continued)

Financial instruments (continued)

The method of recognising unrealised and realised fair value gains and losses depends on whether the derivatives are designated as hedging instruments. For derivatives not designated as hedging instruments, unrealised and realised gains and losses are recorded in interest income/expense in the Statements of Comprehensive Income. For derivatives designated as hedging instruments, unrealised and realised gains and losses are recognised according to the nature of the hedged item and where the hedged item is a non-financial asset, amounts recognised in the hedging reserve are reclassified and the non-financial asset is adjusted accordingly.

Hedge accounting

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which are recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

The Company elected to use hedge accounting for the purposes of recognising realised and unrealised gains and losses associated with its Interest Rate Swap and Currency Swap.

IFRS 9 permits hedge accounting under certain circumstances provided that the hedging relationship is:

- formally designated and documented, including the entity's risk management objective and strategy for undertaking the hedge, identification of the hedging instrument, the hedged item, the nature of the risk being hedged, and how the entity will assess the hedging instrument's effectiveness;
- expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk as designated and documented, and effectiveness can be reliably measured; and
- assessed on an ongoing basis and determined to have been highly effective.

Fair value measurement

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment;
- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a risk associated with a recognised asset or liability or a highly probable forecast transaction; and
- hedges of a net investment in a foreign operation.

Cash flow hedges

The Company uses interest rate and foreign currency contracts as hedges of its exposure to interest rate and foreign currency risks, respectively, in forecast transactions and firm commitments. The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income in the hedge reserve, while any ineffective portion is recognised immediately in profit or loss. The ineffective portion relating to interest rate and foreign currency contracts is recognised in financing expenses. Amounts recognised in other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised.

If the hedging instrument or hedged item expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in other comprehensive income remains in

Gamesys Group Limited

Notes forming part of the financial statements For the year ended 31 December 2021 (continued)

3 Summary of significant accounting policies (continued)

Fair value measurement (continued)

equity separately until the forecast transaction occurs (or is no longer expected to occur) or the foreign currency firm commitment is met.

Prior to termination of the hedging instruments and hedged items, the Company designated its Interest Rate Swap and Currency Swap as cash flow hedges.

Income taxes

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

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using rates that have been enacted or substantially enacted by the period end date.

The carrying amount of deferred tax assets is reviewed at each period 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 expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted at the period end date. Deferred tax is charged or credited in the Income Statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Where there is uncertainty about the appropriate tax treatment of certain transactions or circumstances, the Company applies the guidance of IFRIC 23 – Uncertainty Over Income Tax Treatments and recognises and measures its current and deferred tax assets and liabilities in accordance with its evaluation of the likelihood that a taxation authority will accept the uncertain tax treatment. Where it is considered probable that a taxation authority will accept the Company's uncertain tax treatment, the Company determines its taxable profit consistently with the tax treatment used or planned to be used in its income tax filings. Where it is considered unlikely that a taxation authority will accept the Company's uncertain tax treatment, the Company reflects the effect of uncertainty in determining its taxable profit following the method it expects to better predict the resolution of the uncertainty.

Cash

Cash includes cash in hand and deposits held at call with banks. Cash excludes restricted cash.

The effect on the Statements of Cash Flows of restrictions either taking effect on, or being lifted from, cash balances are reported regarding the linkage principle, under which changes in cash are classified based on the purpose for which the restricted cash is used. Under this principle, changes (such as cash, which is restricted for the purposes of applying for a business licence) are treated as an operating cash outflow.

Share-based compensation and long-term incentive plan

Compensation expense for equity-settled share options awarded under the share option plan is measured at the fair value at the grant date using the Black-Scholes valuation model and is recognised using the graded vesting method over the vesting period of the options granted. Compensation expense for equity-settled stock options awarded under the LTIP, LTIP2, LTIP3, LTIP4 and LTIP5 (as defined in note 23) is measured at the fair value at the grant date using the Black-Scholes valuation model for the EPS and EPS CAGR Tranches (as defined in note 23) and the Monte Carlo model for the TSR Tranches, including TSR Peer and TSR Index Tranches (as defined in note 23). Compensation expense for equity-settled share options awarded under the G MINE SIP (as defined in note 23) is measured at the fair value at the grant

Gamesys Group Limited

Notes forming part of the financial statements For the year ended 31 December 2021 (continued)

3 Summary of significant accounting policies (continued)

Share-based compensation and long-term incentive plan (continued)

date using the Black-Scholes valuation model and is recognised using the graded vesting method over the vesting period of the options granted.

Compensation expense recognised is adjusted to reflect the number of options that has been estimated by management for which conditions attached to service will be fulfilled as of the grant date until the vesting date so that the ultimately recognised expense corresponds to the options that have actually vested. The compensation expense credit is attributed to the share-based payment reserve when the expense is recognised in the Statements of Comprehensive Income. On exercise of options granted, the associated portion of the share-based payment reserve is reclassified to retained earnings.

Investment in subsidiaries

Investments in subsidiaries are accounted for at cost. These investments are assessed for impairment whenever there is an indication that the investment may be impaired. If the recoverable amount of an investment in subsidiary is estimated to be less than its carrying amount, the carrying amount of the investment is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

4 Summary of significant accounting judgements, estimates, and assumptions

The preparation of Gamesys Group Limited's Financial Statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures.

Estimates and judgements are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Key accounting judgements:

- The Company has reviewed whether there are indicators of impairment of the Company's investments. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the investments.
- Determining whether the recognition of deferred tax assets is permitted based on the expected future performance of the Company and ability to utilise the asset.

The Company does not consider there to be any other significant accounting judgements, estimates or assumptions to have been made in the preparation of these Financial Statements.

5 Revenue

	2021 £'000	2020 £'000
Intercompany revenue	10,848	14,613
Total revenue	10,848	14,613

Gamesys Group Limited

Notes forming part of the financial statements
For the year ended 31 December 2021 (continued)

6 Costs and expenses

	2021 £'000	2020 £'000
Administrative costs:		
Compensation and benefits	4,522	5,539
Professional fees	2,055	2,887
General and administrative	3,562	3,540
Tangible depreciation	10	12
	<u>10,149</u>	<u>11,978</u>

7 Transaction related costs

During the year transaction related costs was £27,525,000 (2020: £2,443,000) which consisted of legal, professional, due diligence, severance and other direct costs/fees associated with transactions and acquisitions or disposals contemplated or completed by the Company. The increase in transaction related costs for the year ended 31 December 2021 compared to 2020 relates to the acquisition of the Company by Bally's Corporation, which was completed in 2021.

8 Investment Income

	2021 £'000	2020 £'000
Dividend income from investments	137,471	71,500
Total income	<u>137,471</u>	<u>71,500</u>

9 Finance expense

	2021 £'000	2020 £'000
Realised loss on cross currency swap	11,083	-
Realised loss on interest rate swap	3,506	-
Debt issue costs and accretion recognised on long-term debt	2,402	518
Interest accrued and paid on long-term debt	6,846	11,683
Total finance expense	<u>23,837</u>	<u>12,201</u>

Gamesys Group Limited

Notes forming part of the financial statements
For the year ended 31 December 2021 (continued)

10 Finance Income

	2021 £'000	2020 £'000
Foreign exchange gain on borrowings	6,873	-
Total revenue	6,873	-

11 Tax expense

(a) Tax on profit on ordinary activities	2021 £'000	2020 £'000
<i>Current tax</i>		
Tax (credit)/charge relating to prior years	(3,755)	-
Total current tax	(3,755)	-
<i>Deferred tax</i>	-	-
Tax credit available for group relief	(3,755)	-
 (b) Reconciliation of tax charge/(credit)	 2021 £'000	 2020 £'000
Profit for the period	91,569	58,310
Tax on profit at standard UK tax rate of 19% (2020: 19%)	17,398	11,079
Effects of:		
Adjustment in respect of prior years	(3,755)	-
Expenses not deductible for tax purposes	6,664	2,506
Income not assessable for tax purposes	(26,120)	(13,585)
Deferred tax not recognised	2,058	-
Tax credit available for group relief	(3,755)	-

Factors that may affect future tax charges:

A UK corporation tax rate of 25% (effective 1 April 2023) was enacted on 10 June 2021. This may have an impact on the Company's tax charge of future years accordingly. However, there is no impact of this change on the tax charge in the current year as there are no instances of deferred taxation recognised in the statement of comprehensive income or directly in equity in either the current or prior year.

At 31 December 2021, the Company had unrecognised deferred tax assets relating to tax losses totalling £5,032k which were not recognised due to uncertainty over the timing of their utilisation.

Gamesys Group Limited

Notes forming part of the financial statements
For the year ended 31 December 2021 (continued)

12 Liabilities arising from financing activities

The following is a reconciliation of liabilities arising from financing activities:

	Long-term debt £'000s	Interest payable £'000s	Interest rate swap Liability £'000s	Deferred/ Contingent Consideration £'000s	Currency Swap Liability £'000s	Total £'000s
At 1 January 2020	247,418	-	1,139	10,000	9,252	267,809
Cash flows	(40,312)	(10,674)	(959)	-	(2,223)	(54,168)
Non-cash flows:						
Fair value adjustments	-	-	1,621	-	(2,043)	(422)
Interest expense	-	11,351	-	-	-	11,351
Accretion	492	-	-	-	-	492
At 31 December 2020	207,598	677	1,801	10,000	4,986	225,062
Cash flows	(100,000)	(6,341)	(1,309)	-	(8,860)	(116,510)
Non-cash flows:						
Contribution from parent	(110,000)	-	-	-	-	(110,000)
Fair value adjustments	-	-	(492)	-	3,874	3,382
Interest expense	-	6,846	-	-	-	6,846
Accretion	2,402	-	-	-	-	2,402
Adjustment on recalculation	-	-	-	1,220	-	1,220
At 31 December 2021	-	1,182	-	11,220	-	12,402

Gamesys Group Limited

Notes forming part of the financial statements
For the year ended 31 December 2021 (continued)

13 Tangible assets

As at 31 December 2021	Fixtures and fittings £'000	Hardware and equipment £'000	Total £'000
Cost			
Balance, 1 January 2021	61	5	66
Balance, 31 December 2021	61	5	66
Accumulated depreciation			
Balance, 1 January 2021	53	2	55
Depreciation	8	2	10
Balance, 31 December 2021	61	4	65
Carrying value			
Balance, 31 December 2021	-	1	1
As at 31 December 2020	Fixtures and fittings £'000	Hardware and equipment £'000	Total £'000
Cost			
Balance, 1 January 2020	61	5	66
Balance, 31 December 2020	61	5	66
Accumulated depreciation			
Balance, 1 January 2020	43	-	43
Depreciation	10	2	12
Balance, 31 December 2020	53	2	55
Carrying value			
Balance, 31 December 2020	8	3	11

Gamesys Group Limited

Notes forming part of the financial statements
For the year ended 31 December 2021 (continued)

14 Trade and other receivables

	2021 £'000s	2020 £'000s
Other short-term receivables	22	-
Prepaid expenses	1,310	382
Sales tax receivables	1,058	128
Intercompany receivables	137,509	240,228
	<u>139,899</u>	<u>240,738</u>

Intercompany receivables includes group tax losses receivable of £3,755,000 (2020: £nil).

ECL was calculated on related company loans by applying the Probability of Default ('PD') by the Loss Given Default ('LGD') by the Exposure at Default ('EAD') ('PD x LGD x EAD') method. The amount calculated was not recorded on the grounds of materiality.

15 Currency swap and interest rate swap

Currency swap

The Company manages its foreign exchange risk by utilising currency swaps.

On 1 August 2019, the Company entered into a cross currency swap agreement (the 'Currency Swap') in order to minimise the Company's increased exposure to exchange rate fluctuations between GBP and EUR impacting the Company's EUR Term Facility. The Currency Swap had an effective date of 30 September 2019 and a maturity date of 30 September 2022. On 30 September 2021 the Currency Swap was terminated as a result of the termination of EUR Term Facility.

As a result, at 31 December 2021, the fair value of the Currency Swap was £nil (31 December 2020 – £4,986,000 payable). For the year ended 31 December 2021, the Company recognised a fair value gain of £3,874,000 through other comprehensive income (year ended 31 December 2020 – loss of £2,043,000 recognised in other comprehensive income).

	£'000s
At 1 January 2020	9,252
Fair value through Other Comprehensive Income	(2,043)
Cash payments during the year	(2,223)
	<u>4,986</u>
At 31 December 2020	4,986
Fair value through Other Comprehensive Income	3,874
Cash payments during the year	(952)
Cash settlement on termination	(7,908)
	<u>-</u>
At 31 December 2021	-

The Company considers there to be a clear economic relationship between the EUR Term Facility and the Currency Swap. Therefore, due to the straightforward nature of this relationship, the Company has not experienced any notable hedge ineffectiveness.

Gamesys Group Limited

Notes forming part of the financial statements For the year ended 31 December 2021 (continued)

15 Currency swap and interest rate swap (continued)

Interest rate swap

The Company manages its interest rate risk by utilising interest rate swaps.

On 30 September 2021 the Interest Rate Swap was terminated as a result of the termination of GBP Term Facility.

As a result, at 31 December 2021, the fair value of the Interest Rate Swap was £nil (31 December 2020 – £1,801,000 payable). For the year ended 31 December 2021, the Company recognised a fair value gain of £492,000 through other comprehensive income (year ended 31 December 2020 – loss of £1,620,000 recognised in other comprehensive income).

	£'000s
At 1 January 2020	1,139
Fair value through Other Comprehensive Income	1,620
Cash payments during the year	(958)
	<hr/>
At 31 December 2020	1,801
	<hr/>
Fair value through Other Comprehensive Income	(492)
Cash payments during the year	(609)
Cash settlement on termination	(700)
	<hr/>
At 31 December 2021	-
	<hr/>

The Company considers there to be a clear economic relationship between the GBP Term Facility and the Interest Rate Swap. Therefore, due to the straightforward nature of this relationship, the Company has not experienced any notable hedge ineffectiveness.

16 Accounts payable and accrued liabilities

	2021 £'000s	2020 £'000s
Trade payables	219	504
Accruals	4,667	2,065
Social security and other taxes	161	-
	<hr/>	<hr/>
Total excl. intercompany payables	5,047	2,569
Intercompany payables	41,742	273,727
	<hr/>	<hr/>
Total incl. intercompany payables	46,789	276,296
	<hr/>	<hr/>

Gamesys Group Limited

Notes forming part of the financial statements For the year ended 31 December 2021 (continued)

17 Financial risk management

Credit risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfil its payment obligations. As at 31 December 2021, the Company is largely exposed to credit risk through its relationship with its service providers as well as its cash balances.

A significant amount of cash is held with institutions with the following credit ratings:

	2021 £'000s	2020 £'000s
Financial institution rating: A	3,684	61,835

Foreign exchange risk

The Company's accounting exposure to foreign exchange risk is not considered material.

Liquidity risk

The Company requires capital and liquidity to fund existing and future operations and future cash payments. The Company's policy is to maintain sufficient capital levels to fund its financial position and meet future commitments and obligations in a cost-effective manner.

Liquidity risk arises from the Company's ability to meet its financial obligations as they become due. The following tables summarise the Company's undiscounted financial and other liabilities as at 31 December 2021 and 31 December 2020:

<u>At 31 December 2021</u>	On demand £'000s	< 1 year £'000s	1-3 years £'000s	4-5 years £'000s	After 5 years £'000s
Accounts payable and accrued liabilities	5,047	-	-	-	-
Other payables	-	11,315	-	-	-
Interest payable	-	1,182	-	-	-
Intercompany payables	-	37,159	-	-	-
	5,047	49,656	-	-	-
<u>At 31 December 2020</u>	On demand £'000s	< 1 year £'000s	1-3 years £'000s	4-5 years £'000s	After 5 years £'000s
Accounts payable and accrued liabilities	2,569	-	-	-	-
Other payables	-	3,669	13,117	-	-
Long-term debt	-	-	-	210,000	-
Interest payable on long-term debt	-	8,925	17,850	8,949	-
	2,569	12,594	30,967	218,949	-

The Company manages liquidity risk by monitoring actual and forecasted cash flows in comparison with the maturity profiles of financial assets and liabilities. Management believes that the cash generated from the Company's business activities is sufficient to fund the working capital and capital expenditure needs in the short and long term, assuming there are no significant adverse changes in the markets in which the Company operates.

Gamesys Group Limited

Notes forming part of the financial statements
For the year ended 31 December 2021 (*continued*)

18 Credit facilities

	GBP Term Facility £'000s
At 1 January 2020	247,418
Accretion	492
Repayment	(40,000)
Debt repricing costs	(312)
	<hr/>
At 31 December 2020	207,598
	<hr/>
Accretion	2,402
Repayment	(100,000)
Amount paid to lender by parent undertaking	(110,000)
	<hr/>
At 31 December 2021	-
	<hr/>

Effective interest rates are as follows: GBP Term Facility –4.56% (2020 – 4.56%).

On 6 December 2017, Gamesys Group Limited entered into a senior facilities agreement ('Senior Facilities Agreement') pursuant to which debt facilities were made available to Gamesys Group Limited and certain of its subsidiaries in an aggregate sterling equivalent amount of approximately £388,500,000, comprised of (i) a €140,000,000 million term facility (the 'EUR Term Facility', (ii) a £250,000,000 million term facility (the 'GBP Term Facility and, together with the EUR Term Facility', the 'Term Facilities') and (iii) a £13,500,000 million revolving credit facility (the 'RCF' and, together with the Term Facilities, the 'Facilities'). Proceeds from the RCF can be applied to, among other things, working capital and general corporate purposes and financing or refinancing capital expenditure.

The Term Facilities were non-amortising and were to mature in December 2024. The RCF was to mature in December 2023 and remained undrawn as at 30 September 2021

On 30 September 2021, the Term Facilities and the RCF were terminated and repaid as part of the acquisition of the Company's by Bally's Corporation.

Gamesys Group Limited

Notes forming part of the financial statements
For the year ended 31 December 2021 (*continued*)

19 Financial instruments

The principal financial instruments used by the Company are summarised below:

Financial assets

Financial assets as subsequently measured at amortised cost

	2021 £'000s	2020 £'000s
Cash	3,684	61,835
Other short-term receivables	22	510
Intercompany receivables	137,509	240,228
Other long-term receivables	-	154
	<u>141,215</u>	<u>302,727</u>

Financial liabilities

Financial liabilities as subsequently measured at amortised cost

	2021 £'000s	2020 £'000s
Accounts payable and accrued liabilities	5,047	2,569
Intercompany payables	41,742	273,727
Interest payable	1,182	677
Deferred consideration payable	11,220	10,000
Long-term debt	-	207,598
	<u>59,191</u>	<u>494,571</u>

The carrying values of the financial instruments noted above approximate their fair values.

The principal financial instruments used by the Company are summarised below:

Other financial instruments

Financial instruments at fair value through profit or loss – assets/(liabilities)

	2021 £'000s	2020 £'000s
Interest Rate Swap	-	(1,801)
Currency Swap	-	(4,986)
	<u>-</u>	<u>(6,787)</u>

Gamesys Group Limited

Notes forming part of the financial statements For the year ended 31 December 2021 (*continued*)

19 Financial instruments (*continued*)

Fair value hierarchy

All of the Company's financial instruments carried at fair value are classified in level 2 of the hierarchy. The Interest Rate Swap and Currency Swap balances represent the fair values of expected cash flows under the Interest Rate Swap and Currency Swap agreements. Counterparty valuation reports are used as the basis of fair values of these instruments.

20 Other payables

	2021 £'000s	2020 £'000s
Other short-term payables:		
Deferred consideration payable (note 12)	11,220	-
Transaction costs payable	95	-
Other payables	-	65
Current portion of interest Rate Swap (note 12)	-	818
Current portion of currency Swap (note 12)	-	2,851
	11,315	3,734
Other long-term payables:		
Deferred consideration payable (note 12)	-	10,000
Interest Rate Swap (note 12)	-	984
Currency Swap (note 12)	-	2,133
	-	13,117

21 Share capital

Allotted, called up and fully paid

	2021 Number	December 2020 Number	2021 £'000s	December 2020 £'000s
Ordinary shares of £0.10 each (2020: £0.10 each)	111,961,348	109,322,314	11,200	10,932

During the year ended 31 December 2021, Gamesys Group Limited did not issue any additional ordinary shares, except as described below.

Gamesys Group Limited

Notes forming part of the financial statements
For the year ended 31 December 2021 (*continued*)

21 Share capital (continued)

	2021 £'000	Ordinary shares of 10p #
At 1 January 2020	10,866	108,665,248
Exercise of options	62	630,000
Issue of shares under the G MINE SIP	2	27,066
	<hr/>	<hr/>
At 31 December 2020	10,930	109,322,314
	<hr/>	<hr/>
Vesting of LTIP awards	203	1,890,341
Vesting of G MINE SIP awards	-	74,027
Exercise of options	37	374,666
Exercise of warrants	30	300,000
Issue of share (contribution from parent)	-	1
	<hr/>	<hr/>
At 31 December 2021	11,200	111,961,349
	<hr/>	<hr/>

22 Dividends

During the year ended 31 December 2021, Gamesys Group Limited declared and paid a final dividend, for the year ended 31 December 2020, of 28.0p per share amounting to a final dividend of £30,683,000 (year ended 31 December 2020 – £nil). An interim dividend was also declared and paid during the year of 15.0p per share amounting to an interim dividend of £16,455,000 (year ended 31 December 2020 – £13,027,000). Additionally, an intercompany dividend of £10,053,000 (year ended 31 December 2020 – £nil) was paid to the immediate parent of the Company after the acquisition of the Company by Bally's Corporation. The total dividend paid during the year was £57,192,000 (year ended 31 December 2020 – £13,027,000).

Gamesys Group Limited

Notes forming part of the financial statements For the year ended 31 December 2021 (continued)

23 Share options

The share-based compensation for the period of £12,917,048 recorded in the share-based payment reserve is made up of £2,729,427 of LTIP expenses and £267,027 of SIP expenses in relation to the Company's employees, and £9,920,554 in relation to share-based compensation made by the Company's subsidiaries.

Long-term incentive plan

On 30 September 2021, the Company terminated its long-term incentive plan as a part of the acquisition of the Company by Bally's Corporation on 1 October 2021. In accordance with the plan rules and the agreement with Bally's Corporation, the remuneration committee accelerated the vesting of existing awards and concluded, effective 30 September 2021, 100% vesting of LTIP2, LTIP3, and LTIP4 awards, and 33% vesting of LTIP5 awards based on the Company's earnings per share. LTIP5 awards will fully vest based on the Company's total shareholder return. The vested awards were converted to shares on 30 September 2021. The converted shares were purchased by Bally's Corporation on 1 October 2021.

During the year ended 31 December 2021, the Company recorded £2,729,427 (year ended 31 December 2020 – £1,745,000) in share-based compensation expense relating to its long-term incentive plans with a corresponding increase in share-based payment reserve, of which £2,360,333 relates to accelerated vesting as a result of the acquisition of the Company by Bally's Corporation on 1 October 2021. The Company incurred £1,158,752 of social security expenses in relation to the exercise LTIP options during the year.

The changes in the number of LTIP share options outstanding during the year ended 31 December 2021 were as follows:

	Share options #	Weighted average exercise price £
At 1 January 2021	574,672	0.10
Granted	60,321	-
Lapsed	(10,056)	-
Exercised	(624,937)	0.10
	<hr/>	<hr/>
At 31 December 2021	-	-
	<hr/>	<hr/>

Employee share incentive plan

On 30 September 2021, the Company closed its employee share incentive plan as a part of the acquisition of the Company by Bally's Corporation on 1 October 2021. In accordance with the plan rules and the agreement with Bally's Corporation, the remuneration committee accelerated the vesting of existing awards and concluded, effective 30 September 2021, 100% vesting of outstanding employee share incentive awards. The vested awards were converted to shares on 30 September 2021. The converted shares were purchased by Bally's Corporation on 1 October 2021.

During the year ended 31 December 2021, the Company recorded £267,027 (year ended 31 December 2020 – £84,000) in share-based compensation expense relating to its G MINE SIP with a corresponding increase in share-based payment reserve, of which £15,117 relates to accelerated vesting as a result of the acquisition of the Company by Bally's Corporation on 1 October 2021.

Gamesys Group Limited

Notes forming part of the financial statements For the year ended 31 December 2021 (*continued*)

23 Share options (*continued*)

Warrants

On 30 September 2021, the warrant was fully exercised. Virgin Enterprises Limited subscribed for 300,000 ordinary shares at 892.878p per ordinary share. The subscribed shares were subsequently purchased by Bally's Corporation on 1 October 2021.

24 Related party transaction

Compensation of key management

Key management is comprised of officers, and members of management of the Company.

Key management personnel compensation for services rendered is as follows:

	2021 £'000s	2020 £'000s
Salaries, bonuses and benefits	3,369	2,515
Share based compensation	2,108	883
	<u>5,477</u>	<u>3,398</u>

25 Employees

	2021 £'000s	2020 £'000s
Wages and salaries (including severance costs)	3,425	2,450
Pensions	84	115
Social security	519	373
Benefits	55	85
	<u>4,083</u>	<u>3,023</u>

The average headcount of employees (including Directors) on a full-time and part-time basis during the year was as follows:

	2021 #	2020 #
Average employee headcount	<u>15</u>	<u>18</u>

Gamesys Group Limited

Notes forming part of the financial statements For the year ended 31 December 2021 (continued)

26 Directors' remuneration

	2021 £'000s	2020 £'000s
Director's remuneration consists of:		
Emoluments	2,241	2,515
Share-based payments	2,108	883
Pension contribution	3	18
	<hr/>	<hr/>
	4,352	3,416
	<hr/>	<hr/>

During the year, eight Directors were remunerated by the Company (2020: 11 directors).

There was one director in the Company's defined contribution pension scheme (2020: three directors).

The highest paid director received £668,300 in emoluments (2020: £925,000), with no pension contributions (2020: £nil) and £1,333,000 of share based payment expense (2020: £643,000) was incurred in relation to share based payment awards.

In total two directors received shares under the share-based payment awards plan in 2021 (2020: two directors).

The Directors of the Company are also directors of other trading and holding companies within the Group and were remunerated by other group undertakings.

27 Auditors' remuneration

BDO LLP's remuneration for the auditing of these Financial Statements and for other services provided is as follows:

	2021 £'000s	2020 £'000s
Audit fees for the audit of the Company's annual accounts	65	650
Audit related assurance services	610	93
Services relating to corporate finance transactions	410	15
Tax compliance services	-	26
Other assurance services	6	-
	<hr/>	<hr/>
	1,091	784
	<hr/>	<hr/>

Gamesys Group Limited

Notes forming part of the financial statements For the year ended 31 December 2021 (*continued*)

28 Investments

Company undertakings	£'000s
At 1 January 2020	915,168
Capital contributions	3,169
	<hr/>
At 31 December 2020	918,337
	<hr/>
Additions in the year	121,416
	<hr/>
At 31 December 2021	1,039,753
	<hr/>

On 18 February 2021 the Company acquired additional shares in JPJ Spain Plc in exchange for £217,400 of cash.

On 27 August 2021 the Company acquired an additional share in Gamesys Group (Holdings) Limited in exchange for the assignment of £108,931,919 of intercompany receivables owed by Gamesys Operations Limited as part of a group reorganisation to settle the debt. The cost of the Company's 2019 acquisition of Gamesys Limited was increased by £1,220,352, reflecting tax balances becoming due for repayment to the sellers.

Following the acquisition of the Company by Bally's Corporation, the Company acquired additional shares in Gamesys Group (Holdings) Limited and JPJ Group Holdings Limited in exchange for the assignment of £9,023,012 and £2,023,997 of employee share incentive plan expense to close the SIP and LTIP programmes.

The following table shows the company's investments at 31 December 2021 in the Ordinary share capital of unlisted companies. All investments held 100% directly or indirectly.

Name	Country of Incorporation	Registered Office and Country of Incorporation
Directly held:		
JPJ Group Jersey Finance Ltd	Jersey	22 Grenville Street,
JPJ Holding II Ltd		ST Helier, Jersey,
JPJ Group Holdings Ltd		JE4 8PX,
Gamesys Group (Holdings) Ltd		Channel Islands
Indirectly held:		
WagerLogic Bahamas Ltd.	Bahamas	303 Shirley Street, P.O. Box N-492, Nassau,
Golden Hero Group Ltd.		The Bahamas
Gyps Fulvus Ltd.		
The Intertain Group Ltd.	Canada	20 Duncan Street, Suite 300, Toronto, ON, M5V 2B8, Canada
JPJ Maple Media Ltd.		1055 West Hastings Street, Suite 1700, Vancouver, BC V6E 2E9, Canada
Gamesys Canada Inc		800 – 885 West Georgia Street, Vancouver, V6C 3H1, BC, Canada

Gamesys Group Limited

Notes forming part of the financial statements For the year ended 31 December 2021 (continued)

28 Investments (continued)

JPJ Spain Operations S.A.U Games Spain Operations, S.A.U Gamesys Spain S.A.U	Cueta	Paseo de la Marina Española 24 Entreplanta 1-A, 51001 Ceuta
Bally's Estonia OU	Estonia	Rotermanni Street, 14-5 Floor, Tallinn, 10111, Estonia
Jet Media Ltd.	Gibraltar	Suite 2B, 143 Main Street, Gibraltar
Profitable Play Ltd. Leisure Spin Ltd. Nozee Ltd. Gamesys Operations Ltd.		57/63 Line Wall Road, GX11 1AA, Gibraltar
Solid Innovations Ltd.	Gibraltar	6.20 World Trade Center, 6 Bayside Road, GX11 1AA, Gibraltar
Dumarca Asia Ltd.	Hong Kong	14th Floor, China Hong Kong Tower, 8 Hennessey Road, Wanchai, Hong Kong
Solid (IOM) Ltd. Stockwell Ltd. Libita Group Ltd. Fifty States Ltd.	Isle of Man	49 Victoria Street, Douglas, IM1 2LD, Isle of Man
WagerLogic Israel Ltd.	Israel	48 Drech Begen, Tel Aviv – Jaffa, 6618003 Israel
Luxembourg Investment Company 192 SarL	Luxembourg	6, rue Eugene Ruppert, Luxembourg, Luxembourg
JPJ Maple II Ltd. WagerLogic Malta Holding Limited Cryptologic Operations Limited Cryptologic Trading Limited	Malta	Office 1/5457, Level G, Quantum House, 75 Abate Rigord Street, Ta'Xbiex, XBX 1120 Malta
Dumarca Gaming Ltd. Dumarca Live Ltd. Dumarca Holdings Ltd.	Malta	The Emporium, Level 4, St Louis Street, MSD 1421, Msida, Malta
Gamesys Network Ltd		Capital Business Centre, Entrance A, Level 1, Taz-Zwejt Street, San Gwann, SGN 3000
Silverspin AB	Sweden	S:ta Helenagatan, SE-541 30, SE-541 30 SKOVDE, Sweden
Intertain Financial Services AB		Ingemar Bergmansgata 2, 114 34, Stockholm, Sweden
Gamesys Ltd. Mice and Dice Ltd. Degree 53 Ltd.	United Kingdom	Colegrave House, 70 Berners Street, London, W1T 3NL, United Kingdom
Gamesys Partners LLC Gamesys US LLC The Intertain Group Finance LLC	United States	251 Little Falls Drive, Wilmington, 19808, Delaware

Gamesys Group Limited

Notes forming part of the financial statements For the year ended 31 December 2021 (continued)

29 Non-cash adjustments and changes in working capital

The following non-cash flow adjustments and adjustments for changes in working capital have been made to profit before tax to arrive at operating cash flow:

	Note	2021 £'000s	2020 £'000s
Adjustments:			
Amortisation and depreciation	13	10	11
Share-based compensation expense		2,996	439
Net interest expense	9,10	16,964	7,872
Foreign exchange loss/(gain)		104	5,017
		<hr/>	<hr/>
Total non-cash adjustments		20,074	13,339
		<hr/>	<hr/>
Net changes in working capital			
Decrease/(increase) in trade and other receivables		(1,514)	1,075
Decrease in other long-term receivables		154	73
Increase in accounts payable and accrued liabilities		2,478	253
Increase in short term payables		31	65
Intercompany balances		(3,739)	(1,953)
		<hr/>	<hr/>
Total changes in working capital		(2,590)	(487)
		<hr/>	<hr/>

During the year, non-cash contributions from the parent of the Company of £110,000,000 and £227,837,000 were received in exchange for the issue of a single share in the Company.

30 Ultimate controlling party

At the period end, the immediate parent company is Bally's Holdings UK Limited, a private company incorporated in Jersey, and the ultimate parent company is Bally's Corporation from 1 October 2021. The consolidated statements of Bally's Corporation are available to the public at <https://investors.ballys.com/financials/>.

31 Post balance sheet date events

The Directors have evaluated the subsequent events from the date of the financial statements through to the date of financial statements were available to be issued.

As of April 2022, Deutsche Bank Ag New York Branch entered charges over the Company's assets as collateral for a credit agreement entered by Bally's Corporation, as part of the Group's debt restructuring following the acquisition of the Company by Bally's Corporation.

Dividends totalling £586,180,000 have been paid in relation to the year ended 31 December 2022 and will be reported in the annual report and financial statements for that period.

There were no other significant subsequent events after 31 December 2021 to the date of this report.