Annual Report and Financial Statements

Entain Holdings (UK) Limited

For the period ended 31 December 2020

ENTAIN HOLDINGS (UK) LIMITED

DIRECTORS AND ADVISORS

DIRECTORS
R Hoskin

R Wood

INDEPENDENT AUDITOR
KPMG LLP
Chartered Accountants and Statutory Auditor
St Nicholas House
Park Row
Nottingham
NG1 6FQ

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

Strategic Report
for the period ended 31 December 2020

The Directors present their Strategic report for the year ended 31 December 2020.

Principal activity

The principal activity of the Company is the provision of administrative services to Entain plc and its subsidiary companies as well as intragroup financing. It is an intermediary holding company within the Group.

Results and dividends
The income statement is set out on page 9 and shows the results for the period. The Directors did not recommend a dividend in the current period.

Trading Review
The key performance indicators for the period ended 31 December 2020 are as follows:

- Turnover of £17,136,000 (2019: £12,393,000)
- Operating costs of £10,307,000 (2019: £19,670,000)
- Loss before taxation of £22,937,000 (2019: profit of £860,000)
- Net assets of £2,819,812,000 (2019: £2,836,124,000)

During the year the Company received no dividends (2019: £94,200,000).

Future developments
The Directors do not anticipate any changes to the Company in the forthcoming financial year.

Principal risks and uncertainties
The Directors consider the risks detailed below as inherent to the Company:

Economic Risk
The risk of foreign exchange losses, increased interest rates and or inflation having an adverse impact on the Group in certain markets.

Financial Risk
The Company has budgetary and financial reporting procedures, supported by appropriate key performance indicators to manage credit, liquidity, and other financial risk.

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 and those arising from Brexit are dealt with on pages 72 to 75 presented in the Annual Report 2020 of Entain plc.

On behalf of the Board

Robert Hoskin
Director
30 June 2021

Directors' Report
for the period ended 31 December 2020

The directors present their Report and the audited financial statements of the Company for the period ended 31 December 2020.

On 7 April 2021 the company changed its name to Entain Holdings (UK) Limited from the previous name of GVC Holdings (UK) Limited.

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

Directors:	R Hoskin	
	R Wood	
	K Alexander	(resigned 17 July 2020)
	S Segev	(resigned 22 March 2021)
Registered Office:	3rd Floor One New Change, London, United Kingdom, EC4M 9AF	
Company registration no:	11159638	

Results and dividends

The financial statements for the period show a loss before taxation of £22,937,000 (2019: profit of £860,000)

The directors do not recommend the payment of a dividend.

Future developments

The Company does not anticipate any changes in its activities in the forthcoming year.

Financial Risk Management

The company's exposure to financial risk managements are outlined in the Strategic Report.

Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The company is a subsidiary of the Group headed by Entain plc (the Group) and responsible for management services within the Entain plc group and is therefore integral to the Group's business model. Consequently, the ability of the Company to continue as a going concern is based on the ability of the Group to continue as a going concern.

The Group has prepared financial forecasts comprising operating profit, balance sheet and cash flows covering the 36-month period to 2024. In preparing these forecasts, the directors have assessed the impact of the Covid-19 outbreak on the business and have revised the cash flow forecasts for 2021 to take account of the consequent reduction in profits and net cash inflows. These revised forecasts indicate that the Company will remain within its present facilities and that there is sufficient covenant headroom even under the sensitised downside scenarios.

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 £1,029,605,000 and to continue to make available such funds as are needed by the company, until at least 30 June 2022 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.

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.

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/

Directors' Report (continued)
for the period ended 31 December 2020

Directors' and officers' liability insurance

During the period and up to the date of approval of these financial statements, Entain PLC purchased and maintained, on behalf of the Company, liability insurance, being a qualifying indemnity provision, for its directors and officers as permitted by Section 233 of the Companies Act 2006.

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the Annual Report, 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 international accounting standards in conformity with the requirements of the Companies Act 2006 and applicable law.

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 its profit or loss for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006
- 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 its 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.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

Statement of declaration of information to auditor

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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.

On behalf of the Board

R Hoskin.
Director
30 June 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ENTAIN HOLDINGS (UK) LIMITED

1 Our opinion is unmodified

We have audited the financial statements of Entain Holdings (UK) Limited ("the Company") for the year ended 31st December 2020 which comprise the Income Statement, Balance Sheet, Statement of Changes in Equity and the related notes, including the accounting policies in note 4.

In our opinion the financial statements:

- give a true and fair view of the state of Company's affairs as at 31st December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; 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 believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the Directors on 16th August 2018. The period of total uninterrupted engagement is for the 3 financial years ended 31st December 2020. We have fulfilled our ethical responsibilities under, and we remain independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to public interest entities. No non-audit services prohibited by that standard were provided.

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters (unchanged from 2019), in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Valuation of investments
(£3,767 million, 2019: £3,713 million)
Refer to page 18 (Investments disclosure).
The risk
Carrying value of parent Company's investments are not recoverable
The carrying amount of the Company's investments are significant to this entity. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the entity's financial statement, this is considered to be the area that had the greatest effect on our overall company audit.

Our response
Our procedures included:

- Assessing 100% of investments to identify, with reference to the relevant investments draft balance sheet, whether they have a sufficient net asset value and therefore coverage of the investment, as well as assessing whether the investment have historically been profit making.
- Benchmarking assumptions: We challenged the assumptions used in the cash flows included in the budgets based on our knowledge of the Group and the markets in which the subsidiaries operate.
- Historical comparisons: We assessed the reasonableness of the budgets by considering the historical accuracy of the previous forecasts.
- Our sector experience: We evaluated the current level of trading, including identifying any indications of a downturn in activity, by examining the post year end management accounts and considering our knowledge of the Group and the market.

3 Our application of materiality and an overview of the scope of our audit

Materiality for the Company financial statements as a whole was set at £37.5m (2019: £37.8m), determined with reference to a benchmark of Company total assets, of which it represents 1% (2019: 1%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £1.8m (2019: £1.8m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Our audit of the company was undertaken to the materiality level specified above.

4 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").

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period.. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources and metrics relevant to debt covenants over this period were:

- The impact of significant changes in regulation affecting the Group's ability to operate in certain territories; and
- The impact of a significant business continuity issue affecting the Group's operating systems for a significant portion of the going concern period.

We also considered less predictable but realistic second order impacts, such as political or policy changes that could affect demand in the Group's markets.

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources and covenants indicated by the Group's financial forecasts.

We considered whether the going concern disclosure in note 5 to the financial statements gives a full and accurate description of the Directors' assessment of going concern, including the identified risks and, dependencies, and related sensitivities.

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; and
- we found the going concern disclosure in note 5 to be acceptable.

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.

5 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 and inspection of policy documentation as to the Entain plc's policies and procedures to prevent and detect fraud that apply to this group company as well as enquiring whether the directors have knowledge of any actual, suspected or alleged fraud.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because there are no revenue transactions. We did not identify any additional fraud risks.

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 through discussion with the directors (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

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.

This company, as a holding company, is not subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements.

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.

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.

6 We have nothing to report on the strategic report and the 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 those reports;
- in our opinion the information given in the strategic report and the directors' report 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.

7 We have nothing to report on the other 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.

8 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page [A], the directors are responsible for: the preparation of the financial statements including 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.

9 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.

Mark Flanagan (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St Nicholas House
Park Row
Nottingham
NG1 6FQ

30 June 2021

Income statement
for the period ended 31 December 2020

	Note	2020 £'000	2019 £'000
Revenue	5	17,136	12,393
Operating expenses		(10,307)	(19,670)
Profit/(loss) before tax, finance expense and separately disclosed items	6	6,829	(7,277)
Separately disclosed items	7	(781)	(1,722)
Dividends received from investments		-	94,200
Amounts written off group balances		-	(51,616)
Profit before tax and finance expense		6,048	33,585
Finance income		11,345	24,581
Finance expenses		(40,207)	(57,306)
Net finance expense	8	(28,862)	(32,725)
(Loss)/profit before taxation		(22,814)	860
Taxation	10	(123)	(325)
(Loss)/profit and total comprehensive (expense)/income		(22,937)	535

There are no items of other comprehensive (expense)/income in the periods presented. Therefore, no separate statement of other comprehensive income has been prepared.

The above results relate to continuing activities.

The notes on pages 12 to 19 form an integral part of these financial statements.

Balance sheet as at 31 December 2020

	Note	2020 £'000	2019 £'000
ASSETS			
Non-current assets			
Investments	11	3,766,934	3,712,568
Deferred tax asset		1,362	1,485
		3,768,296	3,714,053
Current assets			
Cash and cash equivalents		352	311
Trade and other receivables	12	84,168	87,643
Total current assets		84,520	87,954
Total assets		3,852,816	3,802,007
LIABILITIES			
Current liabilities			
Trade and other payables	13	(1,033,004)	(965,883)
Net current liabilities		(948,484)	(877,929)
Net assets		2,819,812	2,836,124
Shareholders' equity			
Issued share capital	14	2,764,522	2,764,522
Share premium		91	91
Retained earnings		55,199	71,511
Total shareholders' funds		2,819,812	2,836,124

The financial statements on pages 9 to 19 were approved by the board of directors on 30 June 2021 and were signed on its behalf by:

R Hoskin
Director
30 June 2021

Statement of changes in equity
for the period ended 31 December 2020

	Issued share capital £'000	Share premium £'000	Retained earnings £'000	Total shareholders' funds £'000
1 January 2019	464,522	91	70,976	535,589
Shares issued	2,300,000	-	-	2,300,000
Total comprehensive income	-	-	535	535
At 31 December 2019	2,764,522	91	71,511	2,836,124
Total comprehensive expense	-	-	(22,937)	(22,937)
Share bases payments charge	-	-	6,625	6,625
At 31 December 2020	2,764,522	91	55,199	2,819,812

The notes on pages 12 to 19 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Corporate information

Entain Holdings (UK) Limited ("the Company") is a limited company 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 period ended 31 December 2020 were authorised for issue in accordance with a resolution of the directors on 30 June 2021.

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 has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group financial statements as it is a wholly owned subsidiary of Entain plc.

The Company's financial statements are presented in Sterling, which is also the Company's functional currency, 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
- 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; and
- Disclosures of transactions with a management entity that provides key management personnel services to the Company.

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:

- Amendments to IAS 8; Accounting Policies, Changes in Accounting Estimates and Errors.
- Amendments to IAS 39; Financial Instruments
- Amendments to IFRS 3; Business Combinations
- Amendments to IFRS 7; Financial Instruments, Disclosures
- Amendments to IFRS 9; Financial Instruments.

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. Critical accounting estimates and judgements

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 period. 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 key accounting policies where judgement is necessarily applied are those that relate to the recoverable amount of non-current assets and income tax. 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. Further information about key assumptions concerning the future and other key sources of estimation uncertainty are set out below.

Income tax
Significant judgement is required in determining the provision for income taxes due to the uncertainty of the amount of income tax that may be payable, and in respect of determining the level of future taxable profits of the Company that support the recoverability of the deferred tax asset. Further details are given in note 10.

Recoverable amount of non-current assets
At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of the recoverable amount.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. The recoverable amount is the higher of an asset's or cash generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Impairment losses on continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

4. Summary of significant accounting policies

Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The company is a subsidiary of the Group headed by Entain plc (the Group) and responsible for management services within the Entain plc group and is therefore integral to the Group's business model. Consequently, the ability of the Company to continue as a going concern is based on the ability of the Group to continue as a going concern.

The Group has prepared financial forecasts comprising operating profit, balance sheet and cash flows covering the 36-month period to 2024. In preparing these forecasts, the directors have assessed the impact of the Covid-19 outbreak on the business and have revised the cash flow forecasts for 2021 to take account of the consequent reduction in profits and net cash inflows. These revised forecasts indicate that the Company will remain within its present facilities and that there is sufficient covenant headroom even under the sensitised downside scenarios.

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 £1,029,605,000 and to continue to make available such funds as are needed by the company, until at least 30 June 2022 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Summary of significant accounting policies (continued)

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 loans and receivables, financial assets at fair value through profit or loss or financial assets at fair value through other comprehensive income. At 31 December 2020, the Company had only financial assets classified as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. On initial recognition, loans and receivables are measured at fair value plus directly attributable transaction costs. Subsequently, such assets are measured at amortised cost, using the effective interest (EIR) method, less any allowance for 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 receivable in the income statement. Losses arising from impairment are recognised in the income statement in other operating expenses.

Financial liabilities
Financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. The Company classifies financial liabilities as loans and borrowings. The Company determines the classification of financial liabilities at initial recognition. Financial liabilities comprise trade and other payables and interest-free, unsecured 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.

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 discharge, cancelled or expires.

Investments
Investments in subsidiaries are held at historical cost less any provision for impairment.

An undertaking is regarded as a subsidiary undertaking if the Company has control when it is exposed, or has rights, to variable returns from its involvement with the Company and has the ability to affect those returns through its power over the Company.

Foreign currency translation
The presentation and functional currency of the Company is Pounds Sterling (£).

Transactions in foreign currency are initially recorded in Pounds Sterling at the foreign currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the foreign currency rate of exchange ruling at the balance sheet date.

All foreign currency translation differences are taken to the income statements and are reported as part of the operating expenses.

Revenue
The Company earns management fees from the provision of managerial and administrative services to Entain PLC and its subsidiary companies. Revenue is measured at the fair value of the consideration received.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Summary of significant accounting policies (continued)

Finance expense and income
Finance expense and income arising on interest bearing financial instruments carried at amortised cost are recognised in the income statement using the effective interest rate method. Finance expense includes the amortisation of fees that are an integral part of the effective finance cost of a financial instrument, including issue costs, and the amortisation of any other differences between the amount initially recognised and the redemption price. Finance income represents income arising from loans to fellow group companies.

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.

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 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.

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:

- corporate transaction and restructuring costs.

Any other non-recurring items are considered individually for classification as separately disclosed or exceptional by virtue of their nature or size.

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 7.

5. Revenue

Revenue recognised in the income statement is analysed as follows:

	2020 £'000	2019 £'000
Management fees	17,136	12,393

6. Loss before tax, finance expense and separately disclosed items

	2020 £'000	2019 £'000
Loss before tax, finance expense and separately disclosed items is stated after charging:		
Auditors' remuneration: audit of financial statements	15	15

Fees paid to the Company's auditors for services other than the statutory audit of the Company are not disclosed in these financial statements as the consolidated financial statements of the Company's ultimate parent, Entain plc, are required to disclose non-audit fees on a consolidated basis.

7. Separately disclosed items

Separately disclosed items consist of:

- costs of £781,000 (2019: £1,722,000) that have been recognised in the period in respect of restructuring costs following the acquisition of the Ladbrokes Coral Group business by Entain PLC,

8. Net finance expense

	2020 £'000	2019 £'000
Finance income		
Interest receivable from fellow subsidiary companies	11,345	24,581
Finance expenses		
Interest payable to fellow subsidiary companies	(40,207)	(57,306)
Net finance expense	(28,862)	(32,725)

9. Staff costs and directors' remuneration

The directors who have served during the period are also directors of other undertakings within the group and their remuneration is paid by various subsidiaries of Entain PLC. It is not practicable to identify the emoluments related solely to the Company. The aggregate amount for remuneration for the Directors paid across the entire group is £1,844,000 (2019: £5,602,000)

The highest paid director received total remuneration during their directorship in the year of £1,132,940 (2019: £2,981,000).

Employee staff costs

	2020 £'000	2019 £'000
Wages and salaries	5,073	8,321
Social security costs	898	734
Other pension costs	414	246
Share based payments (including related taxes)	6,625	912
	13,010	10,213

Employee staff numbers

	2020	2019
Average number of employees during the period	97	40

10. Income tax

(a) Tax charged in the income statement

	2020 £'000	2019 £'000
Current tax		
Current tax charge in the income statement	-	-
Deferred tax		
Origination and reversal of timing differences	123	325
Deferred tax charge in the income statement	123	325
Total tax charge in the income statement	123	325

(b) Reconciliation of the total tax charge

A reconciliation of income tax charge to profit before taxation at the UK statutory income tax rate to the income tax charge for the period ended 31 December 2020 is as follows:

	2020 £'000	2019 £'000
(Loss)/profit before taxation	(22,814)	860
Corporation tax charge/(credit) thereon at 19.00% (2019: 19.00%)	(4,335)	163
Adjusted for the effects of:		
Non-taxable income	(2,155)	(22,421)
Non-deductible expense	1,458	188
Amounts written off investments	-	9,807
Group relief surrendered for nil consideration	(2,309)	16,823
Corporate interest restriction	7,639	(4,197)
Impact of tax rate changes	(175)	(38)
Total tax charge reported in the income statement	123	325

(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 been substantively enacted on 21 May 2021.

(d) Deferred tax asset

The deferred tax balance included in the Company balance sheet movement is as follows:

	2020 £000	2019 £000
At 1 January 2020	1,485	1,810
Origination and reversal of timing differences	(123)	(325)
At 31 December 2020	1,362	1,485

The deferred tax balance included in the balance sheet consisted of:

	2020 £'000	2019 £'000
Fixed asset timing differences	1,362	1,485

All deferred tax arises in respect of fixed asset timing differences and will be recovered over the natural course of the life of the underlying assets.

11. Investments

	Subsidiary holdings	Other Investments	Total
	£'000	£'000	£'000
Cost and net book value			
At 1 January 2020	3,476,562	236,006	3,712,568
Additions	62,505	3,867	66,372
Disposals	-	(12,006)	(12,006)
At 31 December 2020	3,539,067	227,867	3,766,934

The significant majority of other investment represents preference shares in Ladbrokes Group Finance Plc (an indirectly owned subsidiary company). The preference shares earn a dividend at 4.9% of the outstanding shares and are redeemable at the option of the issuer and are held at amortised cost.

During the year the Company increased its investment in Entain Holdings (USA) Inc through capital contributions of £62,505,000.

During the year Ladbrokes Group Finance plc redeemed £12,006,000 of preference shares held with the Company.

The registered addresses of the investments held by the Company are as follows:

Registered address	Company	% equity investment 2020
3rd Floor One New Change, London, United Kingdom, EC4M 9AF	Ladbrokes Coral Group Limited Sportingbet Limited Entain Services Limited Entain Marketing (UK) Limited	100 100 100 100
The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street Wilmington New Castle, Delaware 19801	Entain Holdings (USA) Inc	100

12. Trade and other receivables

	2020	2019
	£'000	£'000
Amounts falling due within one year		
Amounts owed by group companies	77,869	86,495
VAT receivable	1,298	725
Other debtors	5,001	423
	84,168	87,643

Amounts owed by group companies 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.

13. Trade and other payables

	2020 £'000	2019 £'000
Current		
Amounts owed to group undertakings	1,029,605	959,125
Corporation tax creditor	1,990	1,990
Other creditors and accruals	1,409	4,768
	1,033,004	965,883

Amounts owed to group undertakings are classified as current where they are subject to repayment at any time by either the Lender or the Borrower giving written notice to the other.

Included within amounts owed to group undertakings includes loan notes of £816,006,000 which are redeemable upon demand and bear interest at 4.9% per annum.

14. Issued share capital

	2020 £'000	2019 £'000
Allotted, called up and fully paid:		
2,764,521,878 (2019: 2,764,521,878) ordinary shares of £1 each	2,764,522	2,764,522

15. Related party transactions

The Company is exempt under paragraph 8(k) of the disclosure exemptions from EU-adopted IFRS included in FRS 101 for qualifying entities from disclosing related party transactions with fellow wholly owned group companies.

There are no other related party transactions.

16. Immediate and ultimate parent company

The immediate company and ultimate parent undertaking of the Company is Entain plc a company registered in the Isle of Man. The only group preparing consolidated group financial statements which include the Company is for Entain plc for the period ended 31 December 2020.

Copies of the Report and Accounts of Entain plc can be obtained online from https://entaingroup.com/investor-relations/financial-reports/ or at the registered address; 3rd Floor One New Change, London, United Kingdom, EC4M 9AF.

17. Sub events

On 23 March 2021 Ladbrokes Group Finance plc redeemed all of its remaining preference shares outstanding with the Company of £224,000,000 and paid a preference dividend to the Company of £7,127,000.

Subsequent to this the Company also received a dividend from its investment Ladbrokes Coral Group Limited of £115,000,000.

Following the above events the Company used funds generated to settle capital elements of loan notes it holds with Entain plc and GVC Holdings (Gibraltar) Limited for £109,382,000 and £180,000,000 respectively. Additional interest was also paid on those loan notes of £44,228,000 and £13,517,000 respectively.

As a result of the above the Company had £526,624,000 of loan notes outstanding which have been delisted from the International Stock Exchange in Jersey.