

Annual Report and Financial Statements

Town and County Factors Limited

For the year ended 31 December 2021

TOWN AND COUNTY FACTORS LIMITED

DIRECTORS AND ADVISORS

DIRECTORS

C A Sutters

R M Wood

COMPANY SECRETARY

Ladbrokes Coral Corporate Secretaries Limited

INDEPENDENT AUDITOR

KPMG LLP

St Nicholas House

31 Park Row

Nottingham

NG1 6FQ

REGISTERED OFFICE

3rd Floor One New Change

London

United Kingdom

EC4M 9AF

TOWN AND COUNTY FACTORS LIMITED

Strategic Report for the year ended 31 December 2021

The directors present their Strategic Report on the Company for the year ended 31 December 2021.

Principal activities and review of the business

The Company's principal activity is to provide managerial and administrative services to Entain plc and its subsidiary companies ("the Group").

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

	2021	2020
	£'000	£'000
Profit before tax	164	420
Amounts owed by group undertakings	44,059	41,821
Amounts owed to group undertakings	30,278	28,418

Financial position

As at 31 December 2021, the company had net assets of £6,775,000 (2020: £6,608,000).

Principal risks and uncertainties

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

The Company's principal risks arise from the interest rates which affect the balances with other group companies and interest due on those balances.

The Company has no other significant risks or uncertainties other than those that arise from being a part of the Entain plc. The significant risks or uncertainties, including the Company's exposure to financial risk management, are dealt with on pages 81 to 85 presented in the Annual Report 2021 of Entain plc.

Section 172 Statement

This section of the strategic report describes how the directors have had regard to the matters set out in section 172(1) (a) to (f), and forms the statement required under section 414 C of the Companies Act 2006 (the "Act").

The role of the board of directors of the company plays an integral part in demonstrating how the directors have had regard to the matters set out in section 172(1). During the year the following primary tasks were undertaken by the board of directors of the company:

- Defining and establishing purpose and strategy including, where relevant, having regard to the purpose, strategy, culture and values defined by Entain plc.;
- Monitoring the potential significant operational challenges presented by the COVID-19 pandemic, having regard to the company's safe and reliable operations; and
- Assessing the principal and emerging risks relevant to the company.

In light of the role of the board, and their primary tasks and considerations throughout the year (as described above), the directors have discharged their duties under section 172(1) in a way that they considered, in good faith, is likely to promote the success of the company for the benefit of its members as a whole, having regard to the likely consequences of any decision in the long term and the broader interests of other stakeholders, as required by the Act. In doing so, the directors considered, amongst other matters:

- a. The likely long-term consequences of the decision.
- b. The need to foster the company's business relationships with others.
- c. The impact of the company's operations on the community and the environment.
- d. The desire to maintain the company's reputation for high standards of business conduct.
- e. The need to act fairly between members of the company.

**Strategic Report
for the year ended 31 December 2021 (continued)**

Section 172 Statement (continued)

The directors also considered the interests of a wider set of stakeholders. Further information on the process behind how the Entain plc board makes decisions that affect the stakeholders of its subsidiaries, including the company, can be found in Entain plc's Annual Report here: <https://entaingroup.com/investor-relations/financial-reports/>

To support the directors in the discharge of their duties, and whilst making decisions on behalf of the company, the directors have access to Entain's central functions assurance support to identify matters which may have an impact on the proposed decision including, where relevant, the section 172 factors outlined above. To ensure the efficiency and effectiveness of engagement with key stakeholders identified by the company, certain stakeholder engagement is led by Entain group, particularly where the impact of a decision may impact the group's reputation.

Modern slavery

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

On behalf of the Board



C A Sutters

Director

28 September 2022

TOWN AND COUNTY FACTORS LIMITED

Directors' Report for the year ended 31 December 2021

The directors present their Report and the audited financial statements of the Company for the year ended 31 December 2021.

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

Directors: C A Sutters
R M Wood

Secretary: Ladbrokes Coral Corporate Secretaries Limited

Registered Office: 3rd Floor One New Change, London, United Kingdom, EC4M 9AF

Company registration no: 00535902

Results and dividends

The financial statements for the year show a profit before taxation of £164,000 (2020: £420,000).

The directors do not recommend the payment of a dividend (2020: £nil).

Certain agreements pertaining to a loan entered into in the early 1980's were lost during a fire at our off-site storage facilities in the late 1980's. Whilst management have attempted to obtain copies of these agreements from the counterparty, to date they have been unsuccessful. Therefore, management have been unable to validate the outstanding loan balance with our auditor leading to a qualified audit opinion.

However, management note that they have continued to account for the loan in line with the terms of the original agreement, for which the knowledge has been passed on from director to director since the agreements were. This accounting procedure has also been adopted in the 2021 financial statements. Management also note that there have been no changes in circumstances or facts pertaining to the loan since the agreements were destroyed in the late 1980's. Management will continue to work with the loan counterparties to obtain the original loan documentation to rectify this issue.

Financial Risk Management

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

Directors' and Officers' liability insurance

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

Political donations

Neither the Company nor any of its subsidiaries made any disclosable political donations or incurred any disclosable political expenditure during the year (2020: £nil).

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 are 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 are aware of that information.

TOWN AND COUNTY FACTORS LIMITED

Directors' Report

for the year ended 31 December 2021 (continued)

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 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 2022 to take account of the consequent changes in profits and net cash inflows. These revised forecasts indicate that the Group will remain within its present facilities and that there is sufficient covenant headroom even under the sensitised downside scenarios.

Entain plc has indicated its intention not to seek repayment of the amounts currently due to the group, which at 31 December 2021 amounted to £30,278,000 and to continue to make available such funds as are needed by the company, until at least 31 December 2023 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.

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.

TOWN AND COUNTY FACTORS LIMITED

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

Statement of Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

On behalf of the Board



C A Sutters
Director
3rd Floor One New Change
London
EC4M 9AF
28 September 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TOWN AND COUNTY FACTORS LIMITED

Qualified opinion

We have audited the financial statements of Town and County Factors Limited ("the company") for the year ended 31 December 2021 which comprise the income statement, the balance sheet, the statement of changes in equity and related notes, including the significant accounting policies in note 4.

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.

In our opinion, except for the possible effects of the matter described in the *Basis for qualified opinion* section of our report, the financial statements:

- give a true and fair view of the company's profit for the year ended 31 December 2021;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for qualified opinion

We were unable to obtain sufficient appropriate audit evidence in respect of unsecured loans balance of £6,786,000 per note 11 and amortisation of interest-free unsecured loans of £168,000 per note 5.

This was due to the fact that the company entered into a number of loan agreements in previous periods for which contracts have been lost. Management has been unable to obtain any confirmations from third-party counterparties to these loans and no alternative evidence is available. We have been unable to obtain evidence over these loans through performing alternative audit procedures.

We qualified our audit opinion on the financial statements for the year ended 31 December 2020 with regard to this same limitation.

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard.

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

Going concern

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

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

Our conclusions based on this work:

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TOWN AND COUNTY FACTORS LIMITED (continued)

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

- Enquiring of directors as to the company’s high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

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

As required by auditing standards, we perform procedures to address the risk of management override of controls, 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.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included unusual journal entries with a credit or debit entry to cash and unexpected credit entries to the profit and loss.

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

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

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

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

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

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, and the risk of bias in accounting estimates and judgements such as provisions for impairment.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TOWN AND COUNTY FACTORS LIMITED (continued)

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

We performed procedures including:

- Identifying journal entries and other adjustments to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included: unusual revenue pairings; unusual journals with a credit or debit to entry to cash; and, unusual journals in seldom used pairings.
- Evaluated the business purpose of significant unusual transactions.
- Assessing significant accounting estimates for bias.

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.

Strategic report and directors' report

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

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

- Except for the possible consequential effects of the matter described in the *Basis for qualified opinion* section of our report on the related disclosures in the Strategic Report and Directors' Report:
 - we have not identified material misstatements in the strategic report and the directors' report;
 - in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
 - in our opinion those reports have been prepared in accordance with the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TOWN AND COUNTY FACTORS LIMITED (continued)

Matters on which we are required to report by exception

In respect solely of the limitation on our work relating to unsecured loan balance and amortisation of interest-free unsecured loans described above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- adequate accounting records have not been kept.

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

- 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.

Directors' responsibilities

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

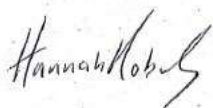
Auditor's responsibilities

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

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

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

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



Hannah Roberts (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St Nicholas House
Park Row
Nottingham
NG1 6FQ
30 September 2022

TOWN AND COUNTY FACTORS LIMITED

Income statement for the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Operating expenses		<u>(39)</u>	<u>223</u>
(Loss)/profit before tax and finance expense	6	<u>(39)</u>	<u>223</u>
Finance income		371	357
Finance expenses		<u>(168)</u>	<u>(160)</u>
Net finance income	5	<u>203</u>	<u>197</u>
Profit before taxation		<u>164</u>	<u>420</u>
Taxation	8	<u>3</u>	<u>14</u>
Profit and total comprehensive income		<u>167</u>	<u>434</u>

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

The above results relate to continuing activities.

The notes on pages 14 to 19 form an integral part of these financial statements.

Balance sheet as at 31 December 2021

	Note	2021 £'000	2020 £'000
Current assets			
Trade and other receivables (including £44,059,000 (2020: 41,821,000) due after more than one year).	9	44,059	41,821
Current liabilities			
Trade and other payables	10	(30,278)	(28,418)
Net current assets			
		<u>13,781</u>	<u>13,403</u>
Non-current liabilities			
Loans and borrowings	11	(6,786)	(6,572)
Deferred tax liabilities	8	(220)	(223)
		<u>(7,006)</u>	<u>(6,795)</u>
Net assets			
		<u>6,775</u>	<u>6,608</u>
Shareholders' equity			
Issued share capital	12	20,000	20,000
Accumulated losses		(13,225)	(13,392)
Total shareholders' funds		<u>6,775</u>	<u>6,608</u>

The financial statements on pages 14 to 19 were approved by the board of directors on 28 September 2022

and were signed on its behalf by



C A Sutters
Director
28 September 2022

TOWN AND COUNTY FACTORS LIMITED

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

	Issued share capital £'000	Accumulated losses £'000	Total shareholders' funds £'000
At 1 January 2020	20,000	(13,826)	6,174
Profit for the financial year and total comprehensive income	-	434	434
At 31 December 2020	<u>20,000</u>	<u>(13,392)</u>	<u>6,608</u>
Profit for the financial year and total comprehensive income	-	167	167
At 31 December 2021	<u>20,000</u>	<u>(13,225)</u>	<u>6,775</u>

The notes on pages 14 to 19 form an integral part of these financial statements.

TOWN AND COUNTY FACTORS LIMITED

1. Corporate information

Town and County Factors 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 Company’s financial statements are individual entity financial statements.

The Company’s financial statements are presented in Pounds Sterling (£), which is also the Company’s functional currency, and all values are rounded to the nearest thousand (£’000) except when otherwise indicated.

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 Companies Act 2006. The financial statements are prepared on a going concern basis under the historical cost convention.

The accounting policies that follow in note 4 set out those policies which apply in preparing the financial statements for the year ended 31 December 2021 and have been applied consistently to all years presented.

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

- a) IFRS 7 Financial Instruments: Disclosures;
- b) IFRS 13 Fair Value Measurement;
- c) IAS 1 Presentation of Financial Statements
- d) IAS 7 Statement of Cash Flows
- e) IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- f) IAS 24 Related Party Disclosures
- g) IAS 36 Impairment of Assets

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

From 1 January 2021 the Company has not been required to adopt, for the first time, any new standards, interpretations, or amendments as there have been no new issues effective in the reporting year.

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 year. Use of available information and application of judgement are inherent in the formation of estimates. Actual results in the future may differ from those reported. In this regard, management believes that the key accounting policies where judgement is necessarily applied are those that relate to the recoverable amount of non-current assets. 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.

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 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 2024 to take account of the consequent reduction in profits and net cash inflows. These revised forecasts indicate that the Group will remain within its present facilities and that there is sufficient covenant headroom even under the sensitised downside scenarios.

Entain plc has indicated its intention not to seek repayment of the amounts currently due to the group, which at 31 December 2021 amounted to £30,278,000 and to continue to make available such funds as are needed by the company, until at least 31 December 2023 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.

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 2021, the Company had only financial assets classified as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative assets with fixed or determinable payments that are not quoted in an active market and comprise trade and other receivables and loans to fellow subsidiary companies. On initial recognition, loans and receivables are measured at fair value net of transaction costs. Subsequently, the fair values are measured at amortised cost using the effective interest rate 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 effective interest rate. The effective interest rate amortisation is included in interest receivable in the income statement. Losses arising from impairment are recognised in the income statement in operating expenses.

4. Summary of significant accounting policies (continued)

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.

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.

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.

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Summary of significant accounting policies (continued) Income tax (continued)

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

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

Deferred income tax assets and liabilities are offset, only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the Company to make a single net payment.

Income tax is charged or credited to other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

5. Net finance income

	2021 £'000	2020 £'000
Finance income		
Interest receivable from fellow subsidiary companies	<u>371</u>	<u>357</u>
Finance expenses		
Amortisation of interest-free unsecured loans	<u>(168)</u>	<u>(160)</u>
Net finance income	<u><u>203</u></u>	<u><u>197</u></u>

6. Profit before tax and finance expense

	2021 £'000	2020 £'000
Profit before tax and finance expense is stated after charging:		
Foreign exchange (loss)/gain	<u>(39)</u>	<u>223</u>

The audit fee for the Company has been borne by another group company.

7. Directors' remuneration

The directors who served during the year are also directors of other undertakings within the Group and spend an immaterial amount of their time on activities relating to the Company. As such, none of their remuneration is considered to be for qualifying services to the Company.

All operations of the Company are undertaken by employees of other group companies, and their respective emoluments have not been included in these financial statements.

8. Income tax

(a) Tax credited in the income statement

	2021 £'000	2020 £'000
Current tax		
Adjustments in respect of prior periods	<u>-</u>	<u>-</u>
Deferred tax		
Adjustments in respect of prior periods	-	13
Origination and reversal of timing differences	(56)	(56)
Effect of tax rate changes	<u>53</u>	<u>29</u>
Tax credit in the income statement	<u><u>(3)</u></u>	<u><u>(14)</u></u>
Total tax credit in the income statement	<u><u>(3)</u></u>	<u><u>(14)</u></u>

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8. Income tax (continued)

(b) Reconciliation of the total tax credit

A reconciliation of income tax charge to profit before taxation at the UK statutory income tax rate to the income tax (credit)/charge for the years ended 31 December 2021 and 31 December 2020 is as follows:

	2021 £'000	2020 £'000
Profit before taxation	<u>164</u>	<u>420</u>
Corporation tax charge thereon at 19.00% (2020: 19.00%)	31	80
Adjusted for the effects of:		
Impact of tax rate changes	53	29
Group relief claimed for nil consideration	(87)	(136)
Adjustments in respect of prior periods – deferred tax	-	13
Total tax credit reported in the income statement	<u>(3)</u>	<u>(14)</u>

(c) Change in corporation tax rate

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 was substantively enacted on 24 March 2021. Both the 19% and 25% rate have therefore been used in measuring deferred tax items, depending on the expected rate of reversal of any timing.

(d) Deferred tax liability

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

	2021 £'000	2020 £'000
Fixed asset timing differences	<u>220</u>	<u>223</u>

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.

9. Trade and other receivables

	2021 £'000	2020 £'000
Amounts falling due within one year		
Amounts owed by group companies	<u>44,059</u>	<u>41,821</u>

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.

Included within amounts owed by group undertakings is £44,059,000 which is expected to be recovered after more than one year (2020: £41,821,000).

10. Trade and other payables

	2021 £'000	2020 £'000
Current		
Amounts owed to group undertakings	<u>30,278</u>	<u>28,418</u>

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.

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11. Loans and borrowings

	2021 £'000	2020 £'000
Wholly repayable in more than five years:		
Unsecured loans	<u>6,786</u>	<u>6,572</u>

The unsecured loans fall due for repayment after more than five years. The loans are interest-free and are recorded at amortised cost using the effective interest rate method. A portion of any income received from certain film rights owned by Entain plc and its subsidiaries is offset against the loan balances.

12. Issued share capital

	2021 £'000	2020 £'000
Allotted, called up and fully paid:		
20,000,000 (2019: 20,000,000) ordinary shares of £1 each	<u>20,000</u>	<u>20,000</u>

13. 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.

14. Immediate and ultimate parent company

The immediate parent of the Company is Ladbrokes Coral Group Limited a company registered in England and Wales. The 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 Entain plc for the year ended 31 December 2021.

Copies of the Report and Accounts of Entain plc can be found here:
<https://entaingroup.com/investor-relations/financial-reports/>.