

Company Registration No. 02448035

**LUXURY LEISURE**

**Annual Report and Financial Statements**

**For the year ended 31 December 2022**

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**LUXURY LEISURE**

**ANNUAL REPORT AND FINANCIAL STATEMENTS 2022**

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## **LUXURY LEISURE**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

T Allison  
A Glennon  
P Hyman  
Z Mersich

#### **COMPANY SECRETARY**

A Glennon

#### **REGISTERED OFFICE**

Fifth Avenue Plaza  
Queensway  
Team Valley Trading Estate  
Gateshead  
Tyne and Wear  
United Kingdom  
NE11 0BL

#### **BANKERS**

Barclays Bank PLC  
Barclays House  
5 St Ann's Street  
Newcastle Upon Tyne  
Tyne and Wear  
United Kingdom  
NE1 3DX

#### **AUDITOR**

Deloitte LLP  
Statutory Auditor  
5 Callaghan Square  
Cardiff  
United Kingdom  
CF10 5BT

## **LUXURY LEISURE**

### **STRATEGIC REPORT**

The directors, in preparing this Strategic Report, have complied with s414C of the Companies Act 2006.

#### **REVIEW OF THE BUSINESS**

Luxury Leisure is an unlimited company incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the company's registered office is shown on page 1.

The principal activity of the company during the year was the provision of leisure services and entertainment activities via adult gaming and family entertainment centres and tanning salons.

The results of the company for the year ended 31 December 2022 are shown in the Profit and Loss Account on page 13.

The directors are satisfied with the performance for the year to 31 December 2022 including both sales and conversion to profit from the company's Adult Gaming Centre (AGC) business. Continued investment with venue refurbishments, new machines and games content combined with focused marketing initiatives ensured the business remained competitive in the market.

During the year the company acquired 100% of the share capital of the following companies, Leisure Worldwide Limited, High Force Leisure Limited, High Force Leisure (Midlands) Limited and Torquay Gaming Limited. The company hived up the trade and assets of Torquay Gaming Limited on 30 September 2022.

#### **KEY PERFORMANCE INDICATORS**

The directors deem turnover and profit before tax as the key performance indicators within the business. Turnover is the key driver for the business and is reported on a daily, weekly and monthly basis. Ongoing investment with business intelligence tools allows improved interrogation of all business activity.

The turnover for the year ended 31 December 2022 was £111,269,288, compared to the year ended 31 December 2021 of £59,590,181. In 2021 the company was unable to trade until the 17 May when the government lifted Covid-19 restrictions. The company traded positively once open in 2021. As stated in the review of the business above continued investment and high standards of customer service, supported by promotional activities, have increased footfall and improved performance.

The company's tanning business contributed £1,606,741 gross profit in the current year (2021: £810,585).

The pre-tax profit for the year ended 31 December 2022 was £15,453,754, compared to a pre-tax profit of £6,869,939, for the year ended 31 December 2021.

Net current liabilities at 31 December 2022 were £12,196,699 (2021: £13,713,462).

In the context of the competitiveness of the market and general economic climate, the directors were satisfied with the performance of the company.

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

The company operates in a highly competitive market within the UK, which is a continuing risk to the company and could result in losing sales to its key competitors. The company manages this risk by providing high quality innovative products and maintaining strong relationships with its customers.

The future profitability of the company could be at risk due to the environment it operates within, including the current on-going review taking place of UK gaming legislation. While gaming legislation continues to evolve the UK remains a highly regulated market with a long tradition of socially responsible gambling. The directors are satisfied that appropriate strategies have been developed to ensure the company operates strictly within the relevant legislation, offering market leading products which can be adapted for any future legislative amendments.

The directors are satisfied that appropriate strategies have been developed, to ensure the company is able to minimise the effect of any adverse impacts which could affect company results. The company has demonstrated in previous years its ability to react to adverse economic conditions to protect the profitability of the business.

## LUXURY LEISURE

### STRATEGIC REPORT (continued)

#### FINANCIAL RISK MANAGEMENT

The company is exposed to a variety of financial risks which result from both its operating and investing activities. The board is responsible for coordinating the company's risk management and focuses on actively securing the company's short to medium term cash flows.

The company does not actively engage in the trading of financial assets and has no financial derivatives.

The most significant financial risk to which the company is exposed to is described below.

##### *Liquidity risk*

The company seeks to manage risks to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Working capital requirements are met principally out of cash.

#### FUTURE DEVELOPMENTS

The company continues to focus on investment to ensure it provides its customers, current and new, with the best possible offer. This will include continued focus on investment in machines, people and processes. To ensure venues complement the machine estate and meet customer expectations, internal refurbishments will continue during the new financial year. Management are also continuing to review properties for opportunities to acquire vacant units and expand the number of venues operating in the UK.

#### S172 STATEMENT

The directors of the company are focussed on continued growth in the UK while ensuring compliance with gambling legislation. Corporate governance and social responsibility rules are given high priority throughout the company's operation.

The company operates in a highly regulated industry and our approach to providing safe gambling is embedded in our culture, values and business model: sustaining a culture of customer protection, encouraging safe gambling, and operating with integrity. We are a member of several trade associations, taking an active role in the development and implementation of industry best practice.

Section 172 of the Companies Act 2006 requires the Company's Directors to act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. In doing so, they must have regard to:

- a) the likely consequences of any decision in the long term;
- b) the interests of the Company's employees;
- c) the need to foster the Company's business relationships with suppliers, customers and others;
- d) the impact of the Company's operations on the community and the environment;
- e) the desirability of the Company maintaining a reputation for high standards of business conduct; and
- f) the need to act fairly as between members of the Company.

In discharging their duties, the Directors have regard to such factors and take them into consideration when decisions are made. It is acknowledged that every decision may not necessarily result in a positive outcome for all stakeholders. However, by considering the Company's purpose, ambition and values together with its strategic priorities and having a process in place for decision-making, the Directors aim to ensure that their decisions are consistent and appropriate in all circumstances.

In the normal course of business, authority for day to day management of the Company is delegated to executives with management engaged in settling, approving and overseeing the execution of the business strategy and related policies. The Directors review matters relating to the financial and operational performance, business strategy, key risks, stakeholder related matters, diversity and inclusion, health and safety, legal governance and regulatory matters. This is done through the consideration and discussion of reports which are sent in advance of regular Board meetings and through presentations to the Board.

The company's stakeholders are its shareholders, customers, employees, suppliers, regulators and local communities in which it operates. The views of and the impact of the Company's activities on those stakeholders are an important consideration for the Directors when making relevant decisions.

## LUXURY LEISURE

### STRATEGIC REPORT (continued)

#### S172 STATEMENT (continued)

##### Customers

Customer enjoyment and retention is a key focus for the company. Key areas of consideration include;

- Ensure ongoing improvements in relation to player protection and safer gambling;
- Ongoing investment in products and premises;
- Customer experience;
- Relevance of offering;
- Health, safety and well-being;
- Providing a safe environment for our customers;
- The company operates a calendar of customer events which is communicated to customers utilising media solutions. The company ensures customers are aware of offers and tournaments allowing them to participate should they wish to; and
- Third party solutions are used to gather customer feedback, which is then utilised to improve the customer experience further in all aspects.

##### Our People

Our people are the heart and soul of the business and central to its success. We depend on their passion and commitment to implement our strategies and ensure our customers experience the best in class service.

Our key considerations regarding our people include;

- The Company's leadership and development program encourages all our people to improve their skills giving greater opportunity for career progression.
- The Company invested in an inhouse learning and development tool. Our people can access this system to ensure they are up to date with all training, policies and procedures relating to our business operations.
- The Company's internal magazine keeps our people informed of the company performance and future development plans. It also communicates both business and individual achievements with the Company.
- Recruiting the correct calibre of people to support our business is key and the company employs recruitment specialists to reflect this.
- Remuneration packages include performance incentives and other benefits rewarding our people for their commitment, loyalty and performance.
- Our people are encouraged to feedback to their line managers their own observations and ideas about the company. The Company also carries out colleague engagement surveys allowing anonymous feedback. A survey at the end of 2022 saw an improved level of responses of 30% compared to 2021.

##### Suppliers

The Directors of the company recognise the need to support its business relationship with its suppliers. Standards of work and services from third parties are as important as the company's own internal standards. This all contributes to the overall customer experience when visiting one of the company venues. The company has a number of preferred suppliers who they see as business partners. In return for their services they received prompt payments and continuity of work leading to stability for their businesses and staff.

The company is actively involved with the Gambling Business Group where members worked to agree and improve machine technical standards.

## LUXURY LEISURE

### STRATEGIC REPORT (continued)

#### S172 STATEMENT (continued)

##### Regulators

The company operates in a highly regulated industry and our approach to providing safe gambling is embedded in our culture, values and business model: sustaining a culture of customer protection, encouraging safe gambling, and operating with integrity

Throughout the year the Company continued to build on its relationships and maintain open dialogue with regulators, local authorities and central government. This has included;

- Participating in trade bodies' representations to political and regulatory bodies to ensure that such stakeholders clearly understand the positive contribution that its business provides to the economy.
- Ongoing people training to ensure the Company fully complies and encourages safer gambling and player protection.
- Working with stakeholders, customers and regulators to help public understanding of the gaming offers provided.
- Submission of the Annual Assurance Statement to the Gambling Commission.

In 2022, the company was reaccredited and certified by the Global Gambling Compliance Group (G4).

##### Community and Environment

The company believes it offers safe and sustainable employment opportunities for local people.

The company also donates to national and local charities.

The Directors of the company recognise the need to ensure it operates in an environmentally friendly approach. The company has recently formed their in house energy committee to review all areas of energy consumption. Recent changes and considerations include;

- Introducing hybrid and fully electric vehicles.
- Roll out LED lighting to all venues including motion detecting bulbs for back of house areas.
- Review all electrical appliances in the Company ensuring replacements are the most energy efficient available. In some cases, the company may accelerate replacing old less efficient equipment with more efficient and environmentally friendly equipment.

#### GOING CONCERN

These financial statements have been prepared on a going concern basis.

The UK group, headed by Novomatic UK Limited, has a bank overdraft facility which is secured by a cross-company guarantee. The company has sufficient headroom within this facility to meet its liabilities for the next 12 months from the date of signing.

The directors of the company, along with the directors of Novomatic UK Limited, have assessed the balance sheet and likely future cash flows of the company for at least 12 months from the date of approving the financial statements. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to meet its financial obligations as they fall due and to continue in operational existence for the next 12 months from the date of signing. It is therefore appropriate to adopt the going concern basis in preparing the annual financial statements.

Approved by the Board of Directors  
and signed on behalf of the Board

  
**Z Mersich**  
Director

31 May 2023

## **LUXURY LEISURE**

### **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 December 2022.

A discussion of likely future developments, going concern, principal risks and uncertainties and financial risk management has been made within the Strategic Report on pages 2 to 5.

Engagement with customers, suppliers and staff are all recognised as key measures in the company's objectives. Reference is made within the S172 statement in the Strategic Report on pages 3 to 5.

### **DIVIDENDS**

No dividends were paid on the ordinary shares during the year (2021: £nil). This equates to £nil per ordinary share (2021: £nil per ordinary share).

### **DIRECTORS**

The directors of the company, who served throughout the financial year and subsequently, are as shown on page 1.

### **DISABLED PERSONS**

During the year, the company has given as much consideration as possible to applications for employment submitted by disabled persons, having regard to their particular aptitudes and abilities. Disabled employees receive appropriate training to promote their career development within the company. Employees who become disabled are retained in their existing post wherever possible or retrained for suitable alternative employment.

### **EMPLOYEE INVOLVEMENT**

During the year, the company's well-established system of briefing has continued in order to provide employees with information on matters of concern to them and regarding the company's activities and progress generally. This includes;

- Admiral News issued bi-monthly to all employees advising of new developments, investments, company and group updates, incentive schemes and charity events.
- Admiral Academy encourages employees to develop their knowledge and skills via professional management and development training. Apprenticeship schemes for technical and business administration roles are available in the business. The company strategy is to upskill key talent to reduce staff turnover and improve retention and to have employees ready for the next step in their careers with the company.
- Incentive schemes operate for all employees throughout the year, encouraging staff to take a greater interest in the company's performance.
- Regular communications updating staff with performance indicators.
- The company holds a monthly Executive Meeting where amongst key business issues that are discussed, there is opportunity for senior staff to brief the board of any staffing matters. The Directors can then engage with the appropriate response depending on the nature of the matters raised.



## LUXURY LEISURE

### DIRECTORS' REPORT (continued)

#### ENERGY AND CARBON REPORTING

We have reported on all sources of Greenhouse gas (GHG) emissions and energy usage as required under The Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended.

##### *GHG emissions and energy usage*

###### **GHG emissions and energy usage data for period 1 January 2022 to 31 December 2022**

	<b>2022</b>	<b>2021</b>
Emissions from combustion of gas (Scope 1 – tonnes of CO <sub>2</sub> e)	49.65	38.62
Emissions from electricity purchased for own use, including for the purposes of transport (Scope 2 – tonnes of CO <sub>2</sub> e)	3,434.07	2,274.05
Emissions from business transportation (Scope 1 and 3 - tonnes of CO <sub>2</sub> e)	996.27	668.78
<b>Total gross CO<sub>2</sub>e based on above</b>	<b>4,479.99</b>	<b>2,981.45</b>
Energy consumption used to calculate emissions - kWh	21,828,932	13,880,872
Intensity measurement tonnes of CO <sub>2</sub> e per £m revenue	0.00004	0.00005

The company's energy consumption is derived from;

- Gas providing heating to 2 buildings, 1 office/warehouse and 1 distribution centre.
- Electricity providing power, lighting and heat all our UK premises.
- Diesel and LPG used by the company's fleet of vehicles.
- Diesel and LPG used by employees using their own vehicles for short term business needs.
- Aviation fuel from employees traveling on airplanes for business needs.

In 2022 the company consumed a total of 21,828,932kWh of energy from electricity, natural gas, diesel and petrol (2021: 13,880,872kWh).

##### **Emissions**

The energy consumption includes electricity, natural gas and fuel for transport including diesel and LPG. In 2022, the total CO<sub>2</sub> footprint was 4,480 tonnes of CO<sub>2</sub> (2021: 2,981 tonnes).

##### **Energy efficiency actions taken**

- Standard light bulb fittings changed to LED.
- All other light fittings changed to LED as part of any venue refurbishment.
- Non trading areas have upgraded timed lighting installed as part of any venue refurbishment.
- New fleet vehicles are electric, PHEV or self-charging hybrids.
- Sensors to be fitted to external signage ensuring lighting is not active during daylight hours.
- Energy consultants engaged to reduce consumption by intelligent management of onsite electrical equipment.

##### **Future planning**

- Refurbishment contractors are required to use energy efficient products in our venues (examples include air condition units, fridges, water heaters).

## LUXURY LEISURE

### DIRECTORS' REPORT (continued)

#### POST BALANCE SHEET EVENTS

There are no subsequent events after the reporting date which require disclosure.

#### AUDITOR

In the case of each of the persons who are directors of the company at the date when this report is approved:

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have indicated their willingness to continue in office as the company's auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board



Z. Mersich  
Director

31 May 2023

## LUXURY LEISURE

### DIRECTORS' RESPONSIBILITIES STATEMENT

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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting standards and applicable law), including Financial Reporting Standard 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 accounting 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF LUXURY LEISURE**

## **Report on the audit of the financial statements**

### **Opinion**

In our opinion the financial statements of Luxury Leisure (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity;
- the statement of accounting policies; and
- the related notes 1 to 25.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

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

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

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

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF LUXURY LEISURE (continued)**

determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act, pensions legislation, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. This included the company's ongoing compliance with the Gambling Commission regulations in order to maintain its operating licence.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our procedures performed to address it are described below:

- we presume a risk of material misstatement due to fraud to be in relation to the occurrence of revenue. Cash is the main driver of the performance of the company and due to the nature of high volumes of transactions and money held on site, the fraud risk associated with revenue occurrence is also high. To address the risk, we attended a sample of year-end cash counts and substantively tested a sample of recorded revenue transactions to supporting documentation and amounts banked.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF  
LUXURY LEISURE (continued)**

**Report on other legal and regulatory requirements**

**Opinions on other matters prescribed by the Companies Act 2006**

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

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

**Matters on which we are required to report by exception**

Under the Companies Act 2006 we are required to report in respect of the following matters 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 respect of these matters.

**Use of our report**

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



**Andrew Woodhead (Senior statutory auditor)**

**For and on behalf of Deloitte LLP**

Statutory Auditor

Cardiff, United Kingdom

31 May 2023

## LUXURY LEISURE

### PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2022

	Note	2022 £	2021 £
<b>Turnover</b>	4	<b>111,269,288</b>	<b>59,590,181</b>
Cost of sales		(63,980,186)	(40,092,319)
<b>Gross profit</b>		<b>47,289,102</b>	<b>19,497,862</b>
Other income	5	454,190	7,997,541
Administrative expenses		(32,652,809)	(19,265,607)
<b>Operating Profit</b>		<b>15,090,483</b>	<b>8,229,796</b>
Gain/(Loss) on disposal of assets		287	(40,092)
Dividends received		1,556,157	-
Interest receivable and similar income	6	154,329	-
Interest payable and similar expenses	7	(1,347,502)	(1,319,765)
<b>Profit before taxation</b>	8	<b>15,453,754</b>	<b>6,869,939</b>
Tax on profit	11	(3,057,202)	(2,240,845)
<b>Profit for the financial year</b>		<b>12,396,552</b>	<b>4,629,094</b>

All amounts derive from continuing operations.

There have been no recognised gains and losses for the current or the prior financial year other than as stated in the profit and loss account and, accordingly, no separate Statement of Comprehensive Income is presented.

The notes on pages 16 to 34 form an integral part of these financial statements.

## LUXURY LEISURE

### BALANCE SHEET As at 31 December 2022

	Note	2022 £	2021 £
<b>Fixed assets</b>			
Intangible fixed assets	12	23,291,524	21,954,882
Right-of-use assets	13	42,230,321	35,920,700
Tangible fixed assets	14	33,876,041	26,215,586
Investments	15	3,523,159	1
		<b>102,921,045</b>	<b>84,091,169</b>
<b>Current assets</b>			
Stocks	16	1,452,632	447,386
Debtors: due within one year	17	5,381,673	5,182,893
Cash at bank and in hand		8,520,833	5,217,340
		<b>15,355,138</b>	<b>10,847,619</b>
<b>Creditors: amounts falling due within one year</b>	18	<b>(27,551,837)</b>	<b>(24,561,081)</b>
<b>Net current liabilities</b>		<b>(12,196,699)</b>	<b>(13,713,462)</b>
<b>Total assets less current liabilities</b>		<b>90,724,346</b>	<b>70,377,707</b>
Creditors: amounts falling due after more than one year	18	(38,903,739)	(32,909,572)
Provisions for liabilities	19	(1,157,906)	(848,838)
Deferred tax liability	20	(4,750,730)	(3,103,878)
<b>Net assets</b>		<b>45,911,971</b>	<b>33,515,419</b>
<b>Capital and reserves</b>			
Called-up share capital	21	8,810,597	8,810,597
Profit and loss account	21	37,101,374	24,704,822
<b>Shareholder's funds</b>		<b>45,911,971</b>	<b>33,515,419</b>

The financial statements of Luxury Leisure, registered number 02448035, were approved by the Board of Directors and authorised for issue on 31 May 2023.

Signed on behalf of the Board of Directors



**A Glennon**  
Director

The notes on pages 16 to 34 form an integral part of these financial statements.



## LUXURY LEISURE

### STATEMENT OF CHANGES IN EQUITY For the year ended 31 December 2022

	Called up share capital (note 21) £	Profit and loss account (note 21) £	Total £
Balance at 1 January 2021	8,810,597	20,046,470	28,857,067
Capital contribution	-	29,258	29,258
Profit for the year being total comprehensive income	-	4,629,094	4,629,094
<b>Balance at 31 December 2021</b>	<b>8,810,597</b>	<b>24,704,822</b>	<b>33,515,419</b>
Profit for the year being total comprehensive income	-	12,396,552	12,396,552
<b>Balance at 31 December 2022</b>	<b>8,810,597</b>	<b>37,101,374</b>	<b>45,911,971</b>

The notes on pages 16 to 34 form an integral part of these financial statements.

## LUXURY LEISURE

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

#### 1. GENERAL INFORMATION

Luxury Leisure is a private unlimited company incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the company's registered office is shown on page 1. The nature of the company's operations and its principal activities are set out in the business review on page 2.

These financial statements are presented in pounds sterling which is the currency of the primary economic environment in which the company operates.

These financial statements are separate financial statements. The company is exempt from the preparation and delivery of consolidated financial statements, because it is included in the group accounts of Novomatic AG. The group accounts of Novomatic AG are available to the public and can be obtained as set out in note 23.

#### Adoption of new Standards

#### Impact of initial application of other amendments to IFRS Standards and Interpretations

In the current year, the Company has applied a number of amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) that are effective for an annual period that begins on or after 1 January 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

#### Amendments to References to the Conceptual Framework in IFRS Standards

On 14 May 2020, the IASB issued 'Reference to the Conceptual Framework (Amendments to IFRS 3)' with amendments to IFRS 3 'Business Combinations' that update an outdated reference in IFRS 3 without significantly changing its requirements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

Other standards amended in the year: IAS 16, IAS 37, IAS 41, IFRS 1, IFRS 9, IFRS 16. These amendments have not had any impact on these accounts.

#### 2. SIGNIFICANT ACCOUNTING POLICIES

##### Basis of accounting

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. These financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services. The principal accounting policies adopted are set out below.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement, standards not yet effective, impairment of assets and related party transactions. Where required, equivalent disclosures are given in the group financial statements of Novomatic AG.

##### Going concern

These financial statements have been prepared on a going concern basis.

The UK group, headed by Novomatic UK Limited, has a bank overdraft facility which is secured by a cross-company guarantee. The company has sufficient headroom within this facility to meet its liabilities for the next 12 months from the date of signing.

The directors of the company, along with the directors of Novomatic UK Limited, have assessed the balance sheet and likely future cash flows of the company for at least 12 months from the date of approving the financial statements. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to meet its financial obligations as they fall due and to continue in operational existence for the next 12 months from the date of signing. It is therefore appropriate to adopt the going concern basis in preparing the annual financial statements.

## LUXURY LEISURE

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

#### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Goodwill

Goodwill arose on the acquisition of adult gaming centres. Goodwill is tested annually for impairment. Impairment is assessed by reference to geographic regions, and the recoverable amount of goodwill is calculated with reference to the value in use based on annual budget figures.

##### Licenses and concessions

Licences and concessions arose on the acquisition of adult gaming and family entertainment centres creating a right to use asset. Licences and concessions are tested annually for impairment. Geographical regions are assessed, and the recoverable amount of goodwill is calculated with reference to the value in use based on annual budget figures.

##### Software

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from the company's Sentinel development (or from the development phase of an internal project) is recognised if, and only if, all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible assets so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible assets; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in the profit and loss in the period in which it is incurred. Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

The amortisation period for development costs incurred on the company's Sentinel software development is on a straight-line basis over 10 years. Amortisation of purchased software is straight line over five years.

##### Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

##### Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Freehold properties	50 years
Short leasehold properties	10 years
Fixtures and fittings	3-10 years
Machines	3-7 years

Residual value is calculated on prices prevailing at the date of acquisition or revaluation. Useful lives and residual values are reviewed at the end of every reporting period.

## LUXURY LEISURE

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

#### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Impairment of tangible and intangible assets

At each balance sheet date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

##### Stocks

Stocks are stated at the lower of cost and net realisable value. Provision is made for obsolete, slow-moving or defective items where appropriate.

##### Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

## LUXURY LEISURE

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

#### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Taxation (continued)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

##### *Current tax and deferred tax for the year*

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

##### Turnover

The company recognises revenue from the following major sources:

- Sale of goods, being cash receipts from the provision of leisure services and entertainment facilities
- Rendering of services, being the provision of food and drink facilities
- Rental income from subleased properties.

Revenue is measured based on the consideration to which the company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The company recognises revenue when it transfers control of the service to a customer. Advance cash receipts are included as deferred income and recognised over the period of usage of leisure facilities.

All revenue is stated net of VAT.

##### Dividend and interest revenue

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

Interest income is recognised when it is probable that the economic benefits will flow to the company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

##### Government grants

Government grants are not recognised until there is reasonable assurance that the company will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the company with no future related costs are recognised in profit or loss in the period in which they become receivable.

## LUXURY LEISURE

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

#### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Pension costs

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

##### Leases

###### *The Company as lessee*

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented within the creditors line in the balance sheet.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is

## LUXURY LEISURE

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

#### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Leases (continued)

###### *The Company as lessee (continued)*

recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use assets, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use assets is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the balance sheet.

The Company applies IAS 36 to determine whether a right-of-use assets is impaired and accounts for any identified impairment loss as described in the 'impairment of tangible and intangible assets' policy.

###### *The Company as lessor*

The Company enters into lease agreements as a lessor with respect to its right-of-use assets.

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Company is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

When a contract includes both lease and non-lease components, the Company applies IFRS 15 to allocate the consideration under the contract to each component.

##### **Financial instruments**

Financial assets and financial liabilities are recognised in the company's balance sheet when the company becomes a party to the contractual provisions of the instrument.

###### *Loans and receivables*

Trade debtors, loans, and other debtors that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

###### *Impairment of financial assets*

The company recognises an allowance for expected credit losses on trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the receivable. The company always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

## LUXURY LEISURE

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

#### 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### Financial instruments (continued)

###### *Finance costs*

Where financial liabilities are measured at amortised cost using the effective interest method, interest expense is recognised on an effective yield basis in profit or loss within finance costs.

Finance costs which are directly attributable to the construction of tangible fixed assets are capitalised as part of the cost of those assets. The commencement of capitalisation begins when both finance costs and expenditures for the asset are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all the activities that are necessary to get the asset ready for use are complete.

To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognised in other comprehensive income and released to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalised borrowing costs reflect the hedged interest rate.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

###### **Provisions**

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

###### **Contingent liabilities**

In line with IAS 37, a contingent liability will be disclosed when the company has a possible obligation depending on whether some uncertain future event occurs or a present obligation but payment is not probable or the amount cannot be measured reliably.



## LUXURY LEISURE

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

#### 3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the company's accounting policies, which are described in note 2 above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

##### *Critical judgements in applying the company's accounting policies*

The directors do not deem there to be any critical judgements made in the process of applying the company's accounting policies.

##### *Key sources of estimation uncertainty*

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

##### **Goodwill impairment (see note 12)**

Goodwill arose on the acquisition of adult gaming centres. Goodwill is not amortised but is reviewed for impairment at least annually. Impairment testing requires estimations of the goodwill's recoverable amount against its carrying value, which involves an assessment of its value in use. An impairment review was performed as at 31 December 2022 where a value in use calculation was performed, using estimated future cash flows expected to arise and a suitable discount rate in order to calculate a present value. The key inputs / assumptions used in the goodwill impairment review were as follows:

- The discount rate used was 12.53% (2021: 9.56%)
- The forecasts used in the calculation were the approved 5-year budgets, with a future growth rate of 2% assumed into perpetuity (2021: 2%)

##### **Dilapidations provision (see note 19)**

The company makes estimates regarding the provisions required for dilapidations on each of its operating properties. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. The provision is measured using the cash flows estimated to settle the present obligation and its carrying amount is the present value of those cash flows.

## LUXURY LEISURE

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

#### 4. TURNOVER AND REVENUE

An analysis of the company's revenue (including turnover) by category is as follows. All turnover was generated in the UK:

	2022 £	2021 £
<b>Continuing operations</b>		
Sales of goods	111,061,891	59,390,099
Property rental income	207,397	200,082
<b>Total turnover</b>	<b>111,269,288</b>	<b>59,590,181</b>
Interest receivable and similar income (note 6)	154,329	-
<b>Total revenue</b>	<b>111,423,617</b>	<b>59,590,181</b>

Management has determined the operating segments based on the reports reviewed by the Board that are used for strategic decisions. An analysis of the company's turnover by class of business is set out below:

	2022 £	2021 £
<b>Turnover:</b>		
Arcade operations	105,504,888	56,315,196
Tanning studios	4,841,665	2,653,646
Other services	922,735	621,339
	<b>111,269,288</b>	<b>59,590,181</b>

#### 5. OTHER INCOME

From March 2020 the UK Government made available Coronavirus Job Retention Scheme grants to enable businesses whose trading volumes were impacted by the Covid-19 national and regional lockdowns to retain staff who were unable to work. The company continued to utilise local authority grants during the year and secured grants totalling £454,190 (2021: £7,996,767). There are no unfulfilled conditions or other contingencies attaching to these grants.

	2022 £	2021 £
<b>Other Income:</b>		
Coronavirus Job Retention Scheme	-	5,253,935
Local Authority Covid-19 Grants	454,190	2,742,832
IFRS16 remeasurement	-	774
	<b>454,190</b>	<b>7,997,541</b>

#### 6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2022 £	2021 £
Discounting of provisions (see note 19)	94,962	-
HMRC interest receivable	59,367	-
	<b>154,329</b>	<b>-</b>

## LUXURY LEISURE

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

#### 7. INTEREST PAYABLE AND SIMILAR EXPENSES

	2022	2021
	£	£
Interest payable to group undertakings	-	23,385
IFRS 16 interest on lease liabilities	1,347,502	1,146,593
HMRC interest payable	-	148,936
Other interest payable	-	851
	<u>1,347,502</u>	<u>1,319,765</u>

#### 8. PROFIT BEFORE TAX

Profit before taxation is stated after charging:

	2022	2021
	£	£
Depreciation of tangible fixed assets: owned (see note 14)	7,011,573	6,291,969
Depreciation on right-of-use assets (see note 13)	5,165,385	5,577,145
Impairment of intangible fixed assets	-	539,281
Impairment on right-of-use assets	-	117,893
Amortisation charged through administrative expenses (see note 12)	177,307	191,817
(Profit)/Loss on the disposal of assets	(287)	40,092
Cost of stock recognised as an expense	1,590,278	955,125
Other lease rentals	1,833,645	1,778,800
Staff costs (see note 10)	<u>37,636,002</u>	<u>27,938,732</u>

#### 9. AUDITOR'S REMUNERATION

Fees payable to Deloitte LLP and their associates for the audit of the company's financial statements were £49,350 (2021: £43,000).

## LUXURY LEISURE

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

#### 10. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2022 £	2021 £
Wages and salaries (including directors)	33,845,921	25,140,329
Social security (including directors)	3,082,398	2,251,103
Pension contributions (including directors)	707,683	547,300
	<u>37,636,002</u>	<u>27,938,732</u>

The average monthly number of employees during the year (including directors) was as follows:

	No.	No.
Administration	129	74
Arcade operations	1,391	1,206
<b>Total</b>	<u>1,520</u>	<u>1,280</u>

	£	£
Directors' emoluments	<u>401,676</u>	<u>395,490</u>

Emoluments disclosed above include amounts paid to the highest paid director as follows:

	£	£
Emoluments	<u>401,676</u>	<u>395,490</u>

In addition during the year, the highest paid director received emoluments from a long term incentive plan of £1,558,704 (2021: £nil) from Novomatic UK Limited. The cost has been borne by Novomatic UK, as the parent company.

T Allison, A Glennon and Z Mersich were remunerated by the parent company, Novomatic UK Limited, for their services to the group. It is not possible to apportion amounts between services to each company individually.

Full disclosure of remuneration to directors is provided in the financial statements of Novomatic UK Limited.

## LUXURY LEISURE

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

#### 11. TAX ON PROFIT

	2022 £	2021 £
<b>Current taxation</b>		
United Kingdom corporation tax:		
Current tax on income for the year at 19% (2021: 19%)	1,305,502	655,340
Prior year corporation tax adjustment	450,375	197,074
<b>Total current tax</b>	<b>1,755,877</b>	<b>852,414</b>
<b>Deferred tax</b>		
Deferred tax charge	1,340,599	639,929
Effect of change of tax rates	423,345	469,480
Adjustment in respect of prior periods	(462,619)	279,022
Total deferred tax	1,301,325	1,388,431
<b>Tax for the year</b>	<b>3,057,202</b>	<b>2,240,845</b>

The difference between the current taxation shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows. The effective tax rate is higher (2021: higher than the standard rate of tax:

	£	£
Profit before tax	15,453,754	6,869,939
Tax on profit at 19% (2021: 19%)	2,936,213	1,305,288
<b>Factors affecting charge for the year</b>		
Expenses not deductible	202,967	196,091
Income not taxable	(477,728)	(286,356)
Tax rate changes	423,345	469,480
Prior period adjustments	(12,244)	476,096
Effects of group relief/other reliefs	(15,351)	95,851
Plant transferred in	-	(15,605)
<b>Current tax charge for the year</b>	<b>3,057,202</b>	<b>2,240,845</b>
The deferred tax liability comprises:		
Provision at start of year	3,103,878	567,734
Adjustment in respect of prior years	(462,619)	279,022
Deferred tax charge to income for the year	1,763,944	1,109,405
Movement arising from transfer of trade	345,527	1,147,717
	<b>4,750,730</b>	<b>3,103,878</b>

The deferred tax liability at 31 December 2022 is calculated at 25% (2021: 25%), being the rate at which it is expected that the deferred tax liability will unwind, based on previously enacted rates.

## LUXURY LEISURE

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

#### 12. INTANGIBLE FIXED ASSETS

	Goodwill	Licenses and concessions	Software	Total
	£	£	£	£
<b>Cost or valuation</b>				
At 1 January 2022	13,396,502	14,854,982	1,632,033	29,883,517
Additions	123,482	1,382,107	8,360	1,513,949
At 31 December 2022	<u>13,519,984</u>	<u>16,237,089</u>	<u>1,640,393</u>	<u>31,397,466</u>
<b>Amortisation and impairment</b>				
At 1 January 2022	6,047,263	539,281	1,342,091	7,928,635
Charge for the year	-	-	177,307	177,307
At 31 December 2022	<u>6,047,263</u>	<u>539,281</u>	<u>1,519,398</u>	<u>8,105,942</u>
<b>Net book value</b>				
At 31 December 2022	<u>7,472,721</u>	<u>15,697,808</u>	<u>120,995</u>	<u>23,291,524</u>
At 31 December 2021	<u>7,349,239</u>	<u>14,315,701</u>	<u>289,942</u>	<u>21,954,882</u>

The goodwill is recognised on the acquisition of adult gaming centres.

Goodwill, licences and concessions are tested annually for impairment. Each venue is managed and monitored by geographical region and assessed on this basis as a cash generating unit and the recoverable amount of goodwill is calculated with reference to the venues value in use based on annual budget figures.

Additions to goodwill and licenses and concessions relates to the transfer of trade from Torquay Gaming Limited.

Key sources of estimation of uncertainty in relation to the impairment of goodwill have been included in note 3. No impairment entries have been processed for the year ended 31 December 2022 (2021: £nil).

The software relates to the development of Sentinel. Sentinel is a machine/cash management tool which reports performance and anomalies within the company's machine estate. The amortisation period for development costs incurred on the company's Sentinel Software development is 10 years.

## LUXURY LEISURE

### NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2022

#### 13. RIGHT-OF-USE ASSETS

	Motor Vehicles £	Machines £	Buildings £	Total £
<b>Cost</b>				
At 1 January 2022	2,321,778	686,701	49,231,323	52,239,802
Additions	677,738	-	10,797,268	11,475,006
Disposals	(1,527,924)	(686,701)	(3,466,092)	(5,680,717)
<b>At 31 December 2022</b>	<u>1,471,592</u>	<u>-</u>	<u>56,562,499</u>	<u>58,034,091</u>
<b>Accumulated depreciation</b>				
At 1 January 2022	1,567,204	686,701	14,065,197	16,319,102
Charge for the year	468,341	-	4,697,044	5,165,385
Disposals	(1,527,924)	(686,701)	(3,466,092)	(5,680,717)
<b>At 31 December 2022</b>	<u>507,621</u>	<u>-</u>	<u>15,296,149</u>	<u>15,803,770</u>
<b>Carrying amount</b>				
<b>At 31 December 2022</b>	<u>963,971</u>	<u>-</u>	<u>41,266,350</u>	<u>42,230,321</u>
At 31 December 2021	<u>754,574</u>	<u>-</u>	<u>35,166,126</u>	<u>35,920,700</u>

The Company leases several assets including buildings, machines and vehicles. The average remaining lease term is 5 years.

	2022 £	2021 £
<b>Amounts recognised in profit and loss</b>		
Depreciation expense on right-of-use assets	5,165,385	5,577,145
Impairment expense on right-of-use assets	-	117,893
Interest expense on lease liabilities	1,347,502	1,146,593
Other income IFRS 16	-	774

At 31 December 2022, the Company is committed to £Nil for short-term leases (2021: £28,352).

The total cash outflow for leases for the year ended 31 December 2022 amount to £5,959,716 (2021: £6,180,880).

## LUXURY LEISURE

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

#### 14. TANGIBLE FIXED ASSETS

	Freehold properties £	Short leasehold properties £	Fixtures and fittings £	Machines £	Total £
<b>Cost or valuation</b>					
At 1 January 2022	2,421,654	13,634,803	17,255,164	28,064,456	61,376,077
Additions	-	2,860,597	5,073,327	7,792,694	15,726,618
Disposals	-	(139,561)	(873,870)	(2,341,718)	(3,355,149)
<b>At 31 December 2022</b>	<u>2,421,654</u>	<u>16,355,839</u>	<u>21,454,621</u>	<u>33,515,432</u>	<u>73,747,546</u>
<b>Depreciation</b>					
At 1 January 2022	117,917	5,151,394	12,106,850	17,784,330	35,160,491
Charge for the year	25,677	1,326,141	1,435,867	4,223,888	7,011,573
Disposals	-	(138,709)	(858,090)	(1,303,760)	(2,300,559)
<b>At 31 December 2022</b>	<u>143,594</u>	<u>6,338,826</u>	<u>12,684,627</u>	<u>20,704,458</u>	<u>39,871,505</u>
<b>Net book value</b>					
At 31 December 2022	<u>2,278,060</u>	<u>10,017,013</u>	<u>8,769,994</u>	<u>12,810,974</u>	<u>33,876,041</u>
At 31 December 2021	<u>2,303,737</u>	<u>8,483,409</u>	<u>5,148,314</u>	<u>10,280,126</u>	<u>26,215,586</u>

#### 15. INVESTMENTS

	Total £
At 1 January 2022	1
Additions	5,043,158
Restructure of Torquay Gaming Limited	(1,520,000)
<b>At 31 December 2022</b>	<u>3,523,159</u>

During the year the company purchased 100% of the share capital of Leisure Worldwide Limited, High Force Leisure Limited, High Force Leisure (Midlands) Limited and Torquay Gaming Limited. The company hived up the trade and assets of Torquay Gaming Limited on 30 September 2022.

As at 31 December 2022, the company held investments in the following subsidiary undertakings:

Name	Nature of business	Place of incorporation (or registration) and operation	Proportion of ownership interest	Proportion of voting power held
Brian Newton Leisure Limited	Dormant	United Kingdom	100% ordinary share capital	100%
High Force Leisure Limited	Gaming operator	United Kingdom	100% ordinary share capital	100%
High Force Leisure (Midlands) Limited	Gaming operator	United Kingdom	100% ordinary share capital	100%
Leisure Worldwide Limited	Gaming operator	United Kingdom	100% ordinary share capital	100%
Torquay Gaming Limited	Non-trading	United Kingdom	100% ordinary share capital	100%



## LUXURY LEISURE

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

#### 15. INVESTMENTS (continued)

The registered address of Brian Newton Leisure Limited is Novomatic House, South Road, Bridgend Industrial Estate, Bridgend, CF31 3EB.

The registered address of Leisure Worldwide Limited, High Force Leisure Limited, High Force Leisure (Midlands) Limited and Torquay Gaming Limited is Fifth Avenue Plaza, Queensway, Team Valley Industrial Estate, Gateshead, NE11 0BL.

#### 16. STOCKS

	2022 £	2021 £
Consumables	<u>1,452,632</u>	<u>447,386</u>

The value of stock used and charged to cost of sales for 2022 was £1,590,278 (2021: £955,125).

#### 17. DEBTORS: DUE WITHIN ONE YEAR

	2022 £	2021 £
Trade debtors	405,030	416,724
Amounts owed by group undertakings	347,298	863,759
Other debtors	158,356	160,803
Prepayments and accrued income	4,470,989	3,741,607
	<u>5,381,673</u>	<u>5,182,893</u>

Amounts owed by group undertakings are unsecured, repayable on demand and attract no interest.

#### 18. CREDITORS

	2022 £	2021 £
<b>Amounts falling due within one year:</b>		
Bank overdraft	-	744,176
Trade creditors	2,880,327	3,556,160
Amounts owed to group undertakings	764,040	645,683
Corporation tax payable	1,029,968	238,893
Other taxation and social security	6,699,926	6,763,861
Other creditors	398,294	530,521
Lease liabilities	5,279,773	4,442,592
Accruals and deferred income	10,499,509	7,639,195
	<u>27,551,837</u>	<u>24,561,081</u>

The bank overdraft is secured by a cross-company guarantee. The guarantee was entered into on 18 September 2015 and covers a number of UK entities under the ownership and control of Novomatic UK Limited. The overdraft is repayable on demand with interest charged at base rate (or equivalent) plus a margin of 1.75% for GBP.

## LUXURY LEISURE

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

#### 18. CREDITORS (continued)

Amounts owed to group undertakings are unsecured, repayable on demand and do not attract any interest.

	2022 £	2021 £
<b>Amounts falling due after more than one year:</b>		
Lease liabilities	<u>38,903,739</u>	<u>32,909,572</u>

#### Analysis of lease liabilities

	2022 £	2021 £
<b>Amount due for settlement:</b>		
Between two and five years	23,100,196	19,300,558
After five years	<u>23,187,592</u>	<u>18,861,139</u>
	46,287,788	38,161,697
On demand or within one year	<u>6,729,800</u>	<u>5,594,636</u>
Undiscounted lease liability	<u>53,017,588</u>	<u>43,756,333</u>
Less: unearned interest cost	<u>(8,843,076)</u>	<u>(6,404,169)</u>
<b>Total lease liability</b>	<u><u>44,183,512</u></u>	<u><u>37,352,164</u></u>

#### 19. PROVISIONS

	Dilapidations £
At 1 January 2022	848,838
Additional provision in the year	610,576
Utilisation of provision	(127,277)
Release of provision	(79,269)
Discounting	<u>(94,962)</u>
At 31 December 2022	<u><u>1,157,906</u></u>

#### Dilapidations Provision

The company makes estimates regarding the provisions required for dilapidations on each of its operating properties. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. The provision is measured using the cash flows estimated to settle the present obligation and its carrying amount is the present value of those cash flows. The average timescale of outflows of economic benefits in regards to dilapidation provisions is 4 years.

## LUXURY LEISURE

### NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2022

#### 20. DEFERRED TAX

	Fixed assets £	Temporary trading differences £	Total £
At 1 January 2022	3,129,839	(25,961)	3,103,878
Adjustment in respect of prior years	(462,619)	-	(462,619)
Deferred tax charge/(credit) to profit and loss for the period	1,792,186	(28,242)	1,763,944
Transfer of trade from Torquay Gaming Limited	345,527	-	345,527
<b>At 31 December 2022</b>	<b>4,804,933</b>	<b>(54,203)</b>	<b>4,750,730</b>

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected reverse based on tax rates and law that have been enacted or substantively enacted by the balance sheet date.

#### 21. CALLED-UP SHARE CAPITAL AND RESERVES

	2022 £	2021 £
<b>Allotted, authorised, called-up and fully-paid</b> 8,810,597 ordinary shares of £1 each	<b>8,810,597</b>	<b>8,810,597</b>

The company has one class of ordinary shares which carry no right to fixed income.

The profit and loss reserve represents cumulative profits or losses net of dividends paid and other adjustments. A dividend of £nil was paid from the profit and loss reserve in the year, to the immediate parent company, Luxury Leisure Holdings Limited (2021: dividend paid of £nil). This equates to £nil per share (2021: £nil per share).

In 2021 there was a capital contribution of £29,258 due to the transfer of trade from Queensgate Leisure (Bradford) Ltd.

#### 22. DEFINED CONTRIBUTION SCHEMES

The company operates defined contribution retirement benefit schemes for all qualifying employees. The total cost charged to income of £707,683 (2021: £547,300) represents contributions payable to these schemes by the company at rates specified in the rules of the plans. As at 31 December 2022, contributions of £181,857 (2021: £85,287) due in respect of the current year had not been paid over to the schemes.

## **LUXURY LEISURE**

### **NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 31 December 2022**

#### **23. ULTIMATE PARENT COMPANY**

The immediate parent company is Luxury Leisure Holdings Limited, a company registered in the United Kingdom.

The ultimate parent company is Novo Invest GmbH, a company registered in Austria.

Novomatic AG is the parent of the smallest group of which the company is a member and for which group financial statements are drawn up. Copies of the group financial statements of Novomatic AG can be obtained from Novomatic AG, Wiener Strasse 158, A-2352 Gumpoldskirchen, Austria, which is the registered address of the company.

Novo Invest GmbH is the parent of the largest group of which the company is a member and for which group financial statements are drawn up. Copies of the group financial statements of Novo Invest GmbH can be obtained from Novo Invest GmbH, IZ NÖ-Süd, Straße 6, Objekt 28, A-2355 Wiener Neudorf, Austria, which is the registered address of the company.

#### **24. ULTIMATE CONTROLLING PARTY**

The ultimate controlling party is Mr Johann F Graf.

#### **25. SUBSEQUENT EVENTS**

There are no subsequent events after the reporting date which require disclosure.