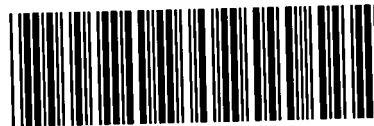


INSPIRED GAMING (INTERNATIONAL) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 30 SEPTEMBER 2017

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INSPIRED GAMING (INTERNATIONAL) LIMITED

COMPANY INFORMATION

Directors	S J Holmes (resigned 22 September 2017) S F B Baker (appointed 21 September 2017) S R Rogers (appointed 21 September 2017)
Company secretary	C Damon
Registered number	03913734
Registered office	3 The Maltings Wetmore Road Burton On Trent Staffordshire DE14 1SE
Independent auditors	Ecovis Wingrave Yeats LLP Chartered Accountants & Registered Auditors Waverley House 7-12 Noel Street London W1F 8GQ
Bankers	Lloyds Bank PLC 114-116 Colmore Row Birmingham B3 3BD
Solicitors	Ellenoff, Grossman & Schole LLP 1345 Avenue of the Americas New York USA 10105

INSPIRED GAMING (INTERNATIONAL) LIMITED

CONTENTS

	Page
Strategic Report	1
Directors' Report	2 - 3
Directors' Responsibilities Statement	4
Independent Auditors' Report	5 - 7
Statement of Comprehensive Income	8
Balance Sheet	9
Statement of Changes in Equity	10
Notes to the Financial Statements	11 - 26

INSPIRED GAMING (INTERNATIONAL) LIMITED

STRATEGIC REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2017

Introduction

The directors present their Strategic Report for the period ended 30 September 2017.

Business review

The Company has performed in line with the directors' expectations during the current period.

Principal risks and uncertainties

The Company is part of the Inspired Entertainment, Inc. Group (the 'Group'). The management of the business and the execution of the Group's strategy is subject to a number of risks. Interest rate, currency and liquidity risks are managed at a Group level rather than at a Company level.

The key business risks and uncertainties affecting the Group include competitor actions, market acceptance of new products and regulatory developments. Further discussion of these risks in the context of the Group as a whole, and also a description of the Group's financial risk management objectives and policies, is included in the Strategic Report of DMWSL 633 Limited, which does not form a part of this report.

Financial key performance indicators

The directors of the Group manage the Group's operations on a divisional basis. For this reason, the Company's directors believe that analysis using KPIs for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business. The development, performance and position of the Group, including this Company, is discussed in the Strategic Report of DMWSL 633 Limited, which does not form a part of this report.

This report was approved by the board on 16 May 2018 and signed on its behalf.



S F B Baker
Director

INSPIRED GAMING (INTERNATIONAL) LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2017

The directors present their report and the financial statements for the period ended 30 September 2017.

Results and dividends

The profit for the period, after taxation, amounted to £380,000 (2016 - £490,000).

The directors do not propose the payment of a dividend (2016 - £Nil).

Directors

The directors who served during the period were:

S J Holmes (resigned 22 September 2017)
S F B Baker (appointed 21 September 2017)
S R Rogers (appointed 21 September 2017)

Future developments

The director considers that the Company is well placed to perform strongly in the future and does not expect there to be any significant change in the Company's principal activities in the foreseeable future.

Qualifying third party indemnity provisions

As permitted by the Articles of Association, the director has the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial period and is currently in force. The Company also purchased and maintained throughout the period directors' and officers' liability insurance in respect of itself and its director.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

The auditors, Ecovis Wingrave Yeats LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Overseas branches

The Company operates an overseas branch in Italy.

INSPIRED GAMING (INTERNATIONAL) LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

Going concern statement

The Company is party to the Group banking facilities. The directors of the Group have prepared forecasts which demonstrate that the Group has sufficient headroom to continue to trade for a period of at least 12 months from the date of signing. On this basis the directors believe that it is appropriate to prepare these financial statements on a going concern basis.

This report was approved by the board on 16 May 2018 and signed on its behalf.

A handwritten signature in black ink, appearing to read 'S F B Baker', written over a horizontal line.

S F B Baker
Director

INSPIRED GAMING (INTERNATIONAL) LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2017

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements and then apply them consistently;
- make judgments 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;
- 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 to 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 and other information included in Directors' Reports may differ from legislation in other jurisdictions.

INSPIRED GAMING (INTERNATIONAL) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF INSPIRED GAMING (INTERNATIONAL) LIMITED

Opinion

We have audited the financial statements of Inspired Gaming (International) Limited (the 'Company') for the period ended 30 September 2017, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

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 Auditors' 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.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2017 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' 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 United Kingdom, including the Financial Reporting Council'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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

INSPIRED GAMING (INTERNATIONAL) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF INSPIRED GAMING (INTERNATIONAL) LIMITED (CONTINUED)

Other information

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

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Opinion 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 period 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.

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, 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.

INSPIRED GAMING (INTERNATIONAL) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF INSPIRED GAMING (INTERNATIONAL) LIMITED (CONTINUED)

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' 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 Auditors' 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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

Ecovis Wingrave Yeats LLP

Stuart Hinds (Senior Statutory Auditor)

for and on behalf of

Ecovis Wingrave Yeats LLP

Chartered Accountants

Registered Auditors

Waverley House

7-12 Noel Street

London

W1F 8GQ

Date:

18th May 2018

INSPIRED GAMING (INTERNATIONAL) LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

		Period ended 30 September 2017 £000	<i>Period ended 24 September 2016 £000</i>
	Note		
Turnover	3	7,117	7,889
Cost of sales		(1,885)	(2,675)
Gross profit		5,232	5,214
Administrative expenses		(4,783)	(4,387)
Exceptional administrative expenses		(166)	(431)
Operating profit	5	283	396
Interest receivable and similar income		2	26
Profit before tax		285	422
Tax on profit	8	95	68
Profit for the financial period		380	490
Other comprehensive income for the period			
Total comprehensive income for the period		380	490

INSPIRED GAMING (INTERNATIONAL) LIMITED
REGISTERED NUMBER: 03913734

BALANCE SHEET
AS AT 30 SEPTEMBER 2017

	Note	30 September 2017 £000	24 September 2016 £000
Fixed assets			
Tangible assets	9	1,832	2,897
		<u>1,832</u>	<u>2,897</u>
Current assets			
Stocks	11	41	41
Debtors: amounts falling due after more than one year	12	660	479
Debtors: amounts falling due within one year	12	3,414	5,953
Cash at bank and in hand	13	197	81
		<u>4,312</u>	<u>6,554</u>
Creditors: amounts falling due within one year	14	(4,059)	(5,345)
Net current assets		<u>253</u>	<u>1,209</u>
Total assets less current liabilities		<u>2,085</u>	<u>4,106</u>
Creditors: amounts falling due after more than one year	15	(1,764)	(4,165)
Net assets/(liabilities)		<u><u>321</u></u>	<u><u>(59)</u></u>
Capital and reserves			
Profit and loss account	18	321	(59)
		<u><u>321</u></u>	<u><u>(59)</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 16 May 2018.



S F B Baker
Director

The notes on pages 11 to 26 form part of these financial statements.

INSPIRED GAMING (INTERNATIONAL) LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

	Profit and loss account £000	Total equity £000
At 27 September 2015	(549)	(549)
Comprehensive income for the period		
Profit for the period	490	490
	<hr/>	<hr/>
At 25 September 2016	(59)	(59)
Comprehensive income for the period		
Profit for the period	380	380
	<hr/>	<hr/>
Total comprehensive income for the period	380	380
	<hr/>	<hr/>
At 30 September 2017	321	321
	<hr/> <hr/>	<hr/> <hr/>

INSPIRED GAMING (INTERNATIONAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2017

1. Accounting policies

1.1 Basis of preparation of financial statements

Inspired Gaming (International) Limited (the "Company") is a private company, limited by shares, incorporated and domiciled in England and Wales, registration number 03913734. The registered office is 3 The Maltings, Wetmore Road, Burton on Trent, Staffordshire, DE14 1SE. The Company is exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006

Unless otherwise stated, all amounts in the financial statements have been rounded to the nearest £1,000.

The Company's ultimate parent undertaking at the period end, Inspired Entertainment, Inc., and its immediate subsidiary, DMWSL 633 Limited, include the Company in their consolidated financial statements. In these financial statements, the Company is considered to be a qualifying entity and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to the end of the period;
- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling due within the fair value accounting rules of Paragraph 36(4) of Schedule 1;
- Cash flow statement and related notes; and
- Key management personnel compensation

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.2 Going concern

The Company is party to the Group banking facilities. The directors of the Group have prepared forecasts which demonstrate that the Group has sufficient headroom to continue to trade for a period of at least 12 months from the date of signing. On this basis the directors believe that it is appropriate to prepare these financial statements on a going concern basis.

INSPIRED GAMING (INTERNATIONAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2017

1. Accounting policies (continued)

1.3 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Revenue is derived principally from the sale and rental of Server Based Gaming ("SBG") terminals and related services, including content provision and servicing, to regulated retail betting outlets, casinos and other gaming operators, and licensing of Virtual Sports gaming software and related services to regulated virtual sports retail, mobile and online operators.

For multiple-deliverable arrangements which include hardware containing software that functions together with the hardware to deliver its essential functionality and undelivered non-software services, deliverables are separated into separately identifiable components when: (i) the delivered element(s) have value to the customer on a stand-alone basis and (ii) delivery of the undelivered element(s) is probable and substantially in the control of the Company.

Revenue is allocated to separately identifiable components based on the relative fair value of each element.

In addition to the general policy, the following are specific revenue recognition policies for our revenue streams:

Server based gaming software and services

Revenue from SBG terminals, access to content and SBG platform, including electronic table gaming products, is usually recognised based upon a contracted percentage of the operator's net winnings from the terminals' daily use. Where this is not the case, revenue is based upon a fixed daily or weekly rental fee. Revenue is recognised from these arrangements on a daily basis over the term of the arrangement, or when not specified over the expected customer relationship period.

Performance obligations under these arrangements may include the delivery and installation of SBG terminals for use over a term, as well as service obligations related to hardware repairs and server based content and maintenance.

Where applicable, upfront fees on SBG arrangements are deferred and recognised on a straight-line basis over the term of the arrangement or when not specified over the expected customer relationship period. In the case where upfront fees are received pursuant to which there are no further obligations and no undelivered elements, the fees are recognised upon delivery.

Hardware sales take the form of a transfer of ownership of developed gaming terminals, and are recognised upon delivery.

INSPIRED GAMING (INTERNATIONAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2017

1. Accounting policies (continued)

Virtual sports

Virtual sports retail revenue, which includes the provision of virtual sports content and services to retail betting outlets, and virtual sports online and mobile revenue, which includes the provision of virtual sports content and services to mobile and online operators, is based upon a contracted percentage of the operator's net winnings or a fixed rental fee. Revenue for these fees is recognised on a daily or weekly basis over the term of the arrangement.

These arrangements often include a perpetual license billed up front, granted to the customer for access to gaming platform and content. Where further performance obligations remain with respect to these up front licences, revenue from the licensing of perpetual licenses is recognised on a straight-line basis over the term of the arrangement, or when not specified, over the expected customer relationship period.

Revenue from the development of bespoke games licensed on a perpetual basis to mobile and online operators is recognised on delivery and acceptance by the customer. There are no ongoing service obligations subsequent to customer acceptance of our bespoke games.

1.4 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Video Lottery Terminals (VLTs) - over 5 years
& related spend

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

INSPIRED GAMING (INTERNATIONAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2017

1. Accounting policies (continued)

1.5 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit ("CGU") to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

1.6 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

INSPIRED GAMING (INTERNATIONAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2017

1. Accounting policies (continued)

1.7 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

INSPIRED GAMING (INTERNATIONAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2017

1. Accounting policies (continued)

1.8 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is Sterling.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'administrative expenses'.

1.9 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

INSPIRED GAMING (INTERNATIONAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2017

1. Accounting policies (continued)

1.10 Related parties

The Company has taken advantage of the exemption afforded by FRS 102 not to disclose details of transactions and balances with other companies that are wholly owned by Inspired Entertainment, Inc..

2. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires the Company to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are considered to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are:

Depreciation of tangible fixed assets

Tangible fixed assets are depreciated so as to allocate the cost of assets, less their residual value, over their estimated useful lives. Useful lives are estimated by the Directors with reference to their past experience of the actual life of the assets employed by the Group. Actual asset lives may vary in practice, resulting in a charge to the Profit and Loss Account that could be accelerated or understated.

Deferred tax assets

Deferred tax assets are required to be recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax assets are recognised in the financial statements on timing differences caused by the existence of a defined benefit liability and decelerated capital allowances. To assess whether it is probable that these assets will be recovered, the Directors must consider forecasts of future trading and differences between trading and taxable profits, to estimate the timing of which taxable profits will occur. The actual timing of such taxable profits may vary from those anticipated.

Provisions

The Group recognises provisions for slow moving and obsolete stock, for trade debtors where recoverability is considered doubtful and for the cost of dilapidations that will be incurred upon exiting leases. Provisions involve uncertain timing or amount and therefore judgement is required in order to estimate their quantum. Provisions for slow moving and obsolete stock are made based on information provided to the Directors in terms of the frequency of usage, the Directors' knowledge of upcoming orders and their stock requirements, and historical trends in terms of stock usage. Provisions for doubtful debts are assessed based on specific knowledge of the debtor and the underlying sales in question. Dilapidations provisions are based on commitments contained within leases, and resulting provisions are discounted to account for the time value of money, involving more judgement with respect to the Group's cost of capital. In all cases, actual events may differ from those anticipated by the Directors.

INSPIRED GAMING (INTERNATIONAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2017

3. Turnover

Analysis of turnover by country of destination:

	Period ended 30 September 2017 £000	<i>Period ended 24 September 2016 £000</i>
Italy	7,117	7,889

4. Exceptional items

	Period ended 30 September 2017 £000	<i>Period ended 24 September 2016 £000</i>
Italian tax related costs	166	431
	166	431

Various changes to Italian tax regulation/interpretation have resulted in costs in the year, including associated professional fees and impairment costs. These are deemed to be one off in nature and so are identified separately.

5. Operating profit

The operating profit is stated after charging:

	Period ended 30 September 2017 £000	<i>Period ended 24 September 2016 £000</i>
Depreciation of tangible fixed assets	1,055	1,087
Impairment of tangible fixed assets	-	393
Exchange differences	(14)	212

6. Auditors' remuneration

Auditors' remuneration is paid on a Group basis by a fellow subsidiary and is disclosed in the financial statements of DMWSL 633 Limited.

INSPIRED GAMING (INTERNATIONAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2017

7. Employees

Staff costs were as follows:

	Period ended 30 September 2017 £000	<i>Period ended 24 September 2016 £000</i>
Wages and salaries	193	158
Social security costs	61	53
	254	211

The average monthly number of employees, including the directors, during the period was as follows:

	Period ended 30 September 2017 No.	<i>Period ended 24 September 2016 No.</i>
Management & administration	3	1
Technical	-	1
	3	2

Directors' emoluments were paid in respect of the directors of the Company by the Company's fellow group member, Inspired Gaming (UK) Limited, and are disclosed in the financial statements of that company. The directors' services to the Company are of a non-executive nature and their emoluments are deemed to be wholly attributable to their services to Inspired Gaming (UK) Limited.

INSPIRED GAMING (INTERNATIONAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2017

8. Taxation

	Period ended 30 September 2017 £000	Period ended 24 September 2016 £000
Foreign tax		
Foreign tax on income for the year	86	143
Total current tax	<u>86</u>	<u>143</u>
Deferred tax		
Origination and reversal of timing differences	(181)	(211)
Total deferred tax	<u>(181)</u>	<u>(211)</u>
Taxation on loss on ordinary activities	<u>(95)</u>	<u>(68)</u>

Factors affecting tax charge for the period

The tax assessed for the period is lower than (2016 - lower than) the standard rate of corporation tax in the UK of 19.5% (2016 - 20%). The differences are explained below:

	Period ended 30 September 2017 £000	Period ended 24 September 2016 £000
Profit on ordinary activities before tax	<u>285</u>	<u>422</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.5% (2016 - 20%)	56	84
Effects of:		
Higher rate taxes on overseas earnings	86	143
Group relief	(278)	(369)
Transfer pricing adjustments	15	(11)
Rate adjustment	26	85
Total tax charge/(credit) for the period	<u>(95)</u>	<u>(68)</u>

INSPIRED GAMING (INTERNATIONAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2017

8. Taxation (continued)

Factors that may affect future tax charges

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

The Company did not recognise the deferred tax asset in respect of the following items on the basis that future economic benefit is uncertain:

	30 September 2017 £000	24 September 2016 £000
Trade losses	204	-
	<u>204</u>	<u>-</u>

INSPIRED GAMING (INTERNATIONAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2017

9. Tangible fixed assets

	VLTs & related spend £000
Cost or valuation	
At 25 September 2016	5,712
Additions	2
Disposals	(13)
	<hr/>
At 30 September 2017	5,701
	<hr/>
Depreciation	
At 25 September 2016	2,815
Charge for the period on owned assets	1,055
Disposals	(2)
	<hr/>
At 30 September 2017	3,868
	<hr/>
Net book value	
At 30 September 2017	1,833
	<hr/> <hr/>
At 24 September 2016	2,897
	<hr/> <hr/>

10. Investments

The company owns 100% of the ordinary shares of Virtual Racing Systems Limited. Virtual Racing Systems Limited is incorporated in England & Wales.

INSPIRED GAMING (INTERNATIONAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2017

11. Stocks

	30 September 2017 £000	24 September 2016 £000
Raw materials and consumables	41	41

12. Debtors

	30 September 2017 £000	24 September 2016 £000
Due after more than one year		
Deferred tax asset	660	479
	660	479

	30 September 2017 £000	24 September 2016 £000
Due within one year		
Trade debtors	314	3,266
Amounts owed by group undertakings	1,827	1,157
Other debtors	736	949
Prepayments and accrued income	505	581
Tax recoverable	32	-
	3,414	5,953

13. Cash and cash equivalents

	30 September 2017 £000	24 September 2016 £000
Cash at bank and in hand	197	81

INSPIRED GAMING (INTERNATIONAL) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

14. Creditors: Amounts falling due within one year

	30 September 2017 £000	24 September 2016 £000
Trade creditors	1,185	1,341
Amounts owed to group undertakings	1,261	1,575
Corporation tax	-	71
Other taxation and social security	4	3
Other creditors	72	61
Accruals and deferred income	1,537	2,294
	<u>4,059</u>	<u>5,345</u>

15. Creditors: Amounts falling due after more than one year

	30 September 2017 £000	24 September 2016 £000
Trade creditors	1,552	2,655
Accruals and deferred income	212	1,510
	<u>1,764</u>	<u>4,165</u>

16. Deferred taxation

	2017 £000	2016 £000
At beginning of year	479	268
Charged to profit or loss	181	211
At end of year	<u>660</u>	<u>479</u>

INSPIRED GAMING (INTERNATIONAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2017

16. Deferred taxation (continued)

The deferred tax asset is made up as follows:

	30 September 2017 £000	24 September 2016 £000
Decelerated capital allowances	660	479

17. Share capital

	30 September 2017 £	24 September 2016 £
Shares classified as equity		
Allotted, called up and fully paid		
1 Ordinary A share of £0.10	-	-
1 Ordinary B share of £0.10	-	-
1 Ordinary C share of £0.10	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

Each share is entitled to one vote and is entitled pari-passu to dividend payments and/or other distributions including a distribution arising from any winding-up of the company.

18. Reserves

Profit and loss account

This reserve represents accumulated realised profits and losses of the company.

19. Contingent liabilities

One of the Company's parent undertakings has a revolving credit facility at the period end. The facility is secured by a composite guarantee in favour of Ares Management Limited and Lloyds Bank PLC, and a fixed and floating charge in favour of Ares Management Limited over all or substantially all of the property and assets of the Company. At the period end, secured liabilities amounted to £86,123,000 (2016 - £80,942,000).

INSPIRED GAMING (INTERNATIONAL) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2017

20. Controlling party

At the period end, the Company's immediate parent company was Inspired Gaming (Holdings) Limited.

The largest and smallest group into which these financial statements are consolidated are headed by Inspired Entertainment, Inc. and Inspired Gaming Group Limited respectively.

Inspired Entertainment, Inc., a company incorporated in the USA, is considered to be the ultimate controlling party.

Group financial statements can be obtained from the Company Secretary at 3 The Maltings, Wetmore Road, Burton on Trent, DE14 1SE.