Company Registration No. 5425266 (England and Wales)

GAMING TECHNOLOGY SOLUTIONS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

GAMING TECHNOLOGY SOLUTIONS LIMITED

COMPANY INFORMATION

Directors	J Schlachter I Ince
Secretary	B Moore
Company number	5425266
Registered office	Mid-City Place 71 High Holborn London WCIV 6EA
Auditor	BDO LLP 55 Baker Street London W1U 7EU
Auxiliary business addresses	2nd Floor Waterfront House Wherry Quay Ipswich Suffolk IP4 1AS 10 Jamestown Road Camden London NW1 7BY 80 Hammersmith Road Hammersmith London W14 8UD Mid-City Place 71 High Holborn London WCIV 6EA

GAMING TECHNOLOGY SOLUTIONS LIMITED

CONTENTS

GAMING TECHNOLOGY SOLUTIONS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present the strategic report and financial statements for the year ended 31 December 2018.

The principal activity of the company is the provider of development services for the gaming industry. Its principal customers are members of the Playtech Group, of which the Company is also a member.

Review of the business
On 31 December 2017 the company purchased the entire share capital of Ash Gaming Limited and Geneity Ltd from Technology Trading IOM Ltd, its parent company. On the same date the company subsequently also acquired the operations from these wholly owned subsidiaries, by way of an accounting hive-up as part of a group simplification process.

The hive-up had a significant effect on the key financial performance indicators used by the Board to monitor the financial performance of the company and its results for 2018:-

Turnover increased from £28.5m to £45.3m (a highly satisfactory growth rate of 59%), primarily due to increased operations in the Company.

Administrative overheads increased proportionately by 62%, from £22.6m to £36.7m. The main increase related to employee costs - up £9.2m to £26.8m - as disclosed in note 6.

The above escalation in operations resulted in an impressive increase of 45% in operating profits, rising from £5.8m in 2017 to £8.4m in 2018. The hive-up also resulted in one-off dividend income of £6.2m in the prior year. Consequently, pre-tax profits narrowed from £11.1m to £8.4m in 2018.

The Company ended the year with net assets of £26.2m (2017 - £19.1m) which included net current assets of £14m (2017 - £1.9m). Cash at the reporting date totalled £1.2m (2017 – £3.8m), as the company utilised its liquid funds to strengthen its operational capabilities.

The Board also uses non financial performance indicators such as headcount to ensure staff levels remain at the optimum level to maximise performance.

The Group also commenced plans to move its UK offices together with a new lease signed in Holborn, which the team have moved into in 2019. As part of this move the Company received lease premiums of £4.2m and recognised onerous lease provisions of £0.9m.

Principal risks and activities
The principal risks and uncertainties of the company are very similar to those relating to the gaming industry disclosed in the annual report of Playtech PLC for the year ended 31 December 2018.

Future developments
The Directors anticipate the Company will continue its current operations and performance for the Playtech Group. There have been no post balance sheet events.

On behalf of the board

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I Ince
Director

Date 26/9/19

GAMING TECHNOLOGY SOLUTIONS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their annual report and financial statements for the year ended 31 December 2018.

Results and dividends

The results for the year are set out on page 7. A review of the business, future developments and principal risks are included in the strategic report.

The directors do not recommend a final dividend for the year (2017 - £nil).

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

A Ambrose	(Resigned 7 September 2018)
D Phillips	(Resigned 31 March 2018)
J Schlachter	(Appointed 31 March 2018)
I Ince	(Appointed 31 August 2018)

Qualifying third party indemnity provisions

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the reporting date.

Financial instruments

Financial risk management

The company makes little use of financial instruments other than operational bank accounts and inter-company receivables due from fellow group members (on which credit risk is considered to be low). Hence its exposure to price, credit, counterparty and liquidity risks is not material for the assessment of the assets, liabilities, financial position and profit or loss of the company.

Employee involvement

The company continues to inform staff of developments affecting the company's business performance and changes planned via a range of communications which include a regular newsletter, regular briefing sessions, bulletins and announcements on notice boards. In addition the company has a fully functioning Employee Consultation Forum with employee representatives from across the company.

It is company policy to give full and fair consideration to the applications for employment made by disabled persons taking into consideration their abilities, skills and aptitudes. These employees receive appropriate training and development to enable them to achieve their career potential within the company. All new building work is designed to cater for the needs of these employees.

Post reporting date events

There are no material post balance sheet events to be disclosed in the financial statements.

Auditor

In accordance with the company's articles, a resolution proposing that BDO LLP be reappointed as auditor of the company will be put at a General Meeting.

Statement of disclosure to auditor
Each director in office at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that he ought to have taken as a director in order to make himself 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 section 418 of the Companies Act 2006.

On behalf of the board

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I Ince
Director

Date: 26/9/19

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

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). 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF GAMING TECHNOLOGY SOLUTIONS LIMITED

Opinion

We have audited the financial statements of Gaming Technology Solutions Limited (the 'Company') for the year ended 31 December 2018 which comprise the Income statement, the Statement Of Financial Position, the Statement of Changes in Equity, and notes to the financial statements, 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 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year 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 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 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

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.

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 auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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.

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 Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report has 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 Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and 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; or
- the Directors were not entitled to take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

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

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.

BDO LLP

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

Date: 27 September 2019

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

GAMING TECHNOLOGY SOLUTIONS LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 £	2017 £
Revenue	4	45,266,587	28,510,514
Cost of sales		(124,225)	(75,987)
Gross profit		45,142,362	28,434,527
Administrative expenses		(36,714,093)	(22,612,596)
Operating profit	5	8,428,269	5,821,931
Impairment losses		-	(852,800)
Investment income	8	2,789	6,157,617
Interest payable and similar charges		(26,688)	(3,677)
Profit before taxation		8,404,370	11,123,071
Tax on profit on ordinary activities	9	(1,953,182)	(1,135,026)
Profit for the financial year		6,451,188	9,988,045
Total comprehensive income for the year attributable to owners		6,451,188	9,988,045

GAMING TECHNOLOGY SOLUTIONS LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Notes	2018 £	2017 £
Fixed assets			
Intangible assets - goodwill	10	13,986,800	13,986,800
Property, plant and equipment	11	2,637,683	3,169,112
		16,624,483	17,155,912
Current assets			
Trade and other receivables	13	26,673,240	22,367,418
Cash at bank and in hand		1,161,205	3,828,832
		27,834,445	26,196,250
Current liabilities			
Trade and other payables	14	13,338,929	24,285,314
Lease premium	16	524,315	-
		13,863,244	24,285,314
Net current assets		13,971,201	1,910,936
Non-current liabilities			
Provisions for liabilities	14	829,000	-
Lease premium	16	3,539,110	-
		4,368,110	-
Net assets		26,227,574	19,066,848
Equity			
Called up share capital	19	2,250,005	2,250,005
Share premium account		130,273	130,273
Other reserves		2,256,603	1,547,065
Retained earnings		21,590,693	15,139,505
Total equity		26,227,574	19,066,848

The financial statements were approved by the board of directors and authorised for issue on 26/9/19 and are signed on its behalf by:

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I Ince
Director

Company Registration No. 5425266

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Share capital	Share premium account	Share based payment reserve	Retained earnings	Total
		£	£	£	£	£
Balance at 1 January 2017		2,250,005	130,273	616,416	5,151,460	8,148,154
Year ended 31 December 2017:						
Profit and total comprehensive income for the year		-	-	-	9,988,045	9,988,045
Share based payment transactions		-	-	930,649	-	930,649
Balance at 31 December 2017		2,250,005	130,273	1,547,065	15,139,505	19,066,848
Year ended 31 December 2018:						
Profit and total comprehensive income for the year		-	-	-	6,451,188	6,451,188
Share based payment transactions		-	-	709,538	-	709,538
Balance at 31 December 2018		2,250,005	130,273	2,256,603	21,590,693	26,227,574

1 Accounting policies

Company information
Gaming Technology Solutions Limited is a private company limited by shares incorporated in England and Wales. The registered office is Mid-City Place, 71 High Holborn, London, WC1V 6EA.

1.1 Accounting convention
The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards. The company adopted new IFRS in the year as required, details of which are disclosed in note 2.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

The company has taken advantage of the following disclosure exemptions under FRS 101:
- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment;
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64 (o)(ii), B64(p), B64(q)(ii), B66 and B67of IFRS 3 Business Combinations. Equivalent disclosures are included in the consolidated financial statements of Platech PLC in which the entity is consolidated;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: (i) paragraph 79(a) (iv) of IAS 1, (ii) paragraph 73(e) of IAS 16 Property Plant and Equipment (iii) paragraph 118 (e) of IAS 38 Intangibles Assets, (iv) paragraphs 76 and 79(d) of IAS 40 Investment Property and (v) paragraph 50 of IAS 41 Agriculture;
- the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 39 to 40 ,111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member ; and
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of a cash flow statement, presentation of comparative information in respect of certain assets, standards not yet effective, impairment of assets, business combinations and discontinued operations.

Where required, equivalent disclosures are given in the group accounts of Playtech PLC.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

Gaming Technology Solutions Limited is a wholly owned subsidiary of Playtech PLC and the results of the company are included in the consolidated financial statements of Playtech PLC which are available from the group's website (www.playtech.com).

1.2 Going concern
The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

1 Accounting policies **(Continued)**

1.3 Revenue

Revenue from contracts for the provision of software development is recognised on completion of the performance obligation, which is typically on completion of the software and development testing. Where the software asset is controlled by the customer and the customer simultaneously receives and consumes the benefit of software development, revenue is recognised over time.

1.4 Merger policy

Where the operations of a subsidiary are 'hived up' into the Company, the acquisition is accounted for as a business combination as at the original acquisition of the investment in the subsidiary. The assets and liabilities are transferred into the Company at book value and any difference between the net assets transferred and amount paid is treated as goodwill.

1.5 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Land and buildings leasehold	Straight line over the length of the lease
Fixtures, fittings & equipment	20% straight line
Computer equipment	33 1/3% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

1.6 Goodwill

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired, unless recognised as a result of a merger (see note 1.4). It is initially recognised as an asset at cost and is subsequently measured at cost less impairment losses.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is subsequently reversed if, and only if, the reasons for the impairment loss have ceased to apply.

1 Accounting policies **(Continued)**

1.7 Impairment of tangible and intangible assets

At each reporting end 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 in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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.

1.8 Fair value measurement

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The company is exempt under FRS 101 from the disclosure requirements of IFRS 13.

1.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.10 Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument. Financial assets are classified into specified categories, depending on the nature and purpose of the financial assets.

At initial recognition, financial assets classified as fair value through profit and loss are measured at fair value and any transaction costs are recognised in profit or loss. Financial assets not classified as fair value through profit and loss are initially measured at fair value plus transaction costs.

Financial asset held at amortised cost (previously Loans and receivables until 31 December 2017)

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'financial assets held at amortised cost', using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

1 Accounting policies **(Continued)**

Impairment of financial assets
Financial assets are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Derecognition of financial assets
Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1.11 Financial liabilities
The company recognizes financial debt when the company becomes a party to the contractual provisions of the instruments. Financial liabilities are classified as either 'financial liabilities at fair value through profit or loss' or 'other financial liabilities'.

Other financial liabilities
Other financial liabilities, including borrowings, trade payables and other short-term monetary liabilities, are initially measured at fair value net of transaction costs directly attributable to the issuance of the financial liability. They are subsequently measured at amortised cost using the effective interest method. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Derecognition of financial liabilities
Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

1.12 Equity instruments
Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.13 Taxation
The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

1 Accounting policies **(Continued)**

Deferred tax

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 goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.14 Employee benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.15 Share-based payments

Certain employees participate in the ultimate parent company's share option plan. The fair value of the options granted relating to employees of the Company, are charged to the Company and expensed to the income statement over the vesting period and the credit is taken to reserves, based on the Company's estimate of shares that will eventually vest. Fair value is determined by the Black-Scholes valuation model. The share options plan does not have any performance conditions other than continued service.

1.16 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the fair value of the assets at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to profit or loss so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, less any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

1.17 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the income statement for the period.

1 Accounting policies **(Continued)**

1.18 Dividends

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

1.19 Provisions

The company has recognised provisions for liabilities of uncertain timing or amount including those for onerous leases. The provision is measured as the best estimate of the expenditure required to settle the obligation at the reporting date, discounted at a pre-tax rate reflecting current market assessments of the time value of money and risks specific to the liability.

Provisions for onerous leases, measured net of expected rental income, are recognised when the property leased becomes vacant and is no longer used in the operations of the business. Provisions for dilapidation costs are recognised on a lease-by-lease basis, taking into account the potential that the properties in question may be sublet for some or all of the remaining lease term.

2 Adoption revised standards

In the current year, the following revised standards have been adopted by the company:-

IFRS 9 and IFRS 15

The Company adopted IFRS 9 and IFRS 15 with a transition date of 1 January 2018. As a result of the adoption of IFRS 15 the revenue accounting policy has been updated. As a result of the adoption of IFRS 9 the Company has updated its receivable provision policy for expected credit losses. However, this has not had a significant impact on the Company's results; there have been no other changes to the accounting for other financial assets or liabilities. The Company has chosen not to restate comparatives on adoption of IFRS 9 or IFRS 15.

IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' have not had a material impact on the transition date and accordingly no transition adjustments have been required. The information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations. Additionally, the disclosure requirements in IFRS 15 have not been applied to comparative information.

IFRS 15 did not have a significant impact on the Company's accounting policies with respect to other revenue streams. For the description of the principal revenue streams and their respective accounting treatments (and also for changes to policies due to the adoption of IFRS 9), refer to accounting policy notes 1.3 and 1.10.

3 Critical estimates and judgements in applying accounting policies

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported value of assets, liabilities, income and expense. Actual results may differ from these estimates. Judgements made by management that have a significant effect on the financial statements and estimates with a significant risk of a material adjustment in the next year are discussed below:

Provisions against intercompany receivables (see note 13)

At the reporting date management are required to consider the recoverability of debts due from fellow group companies. Provisions are raised where debtors are not considered recoverable in full or in part. Provisions are released when subsequent information supports the recovery.

A provision is initially made against intercompany receivables for expected lifetime credit losses. Balances are reviewed on a regular basis and provisions are amended to reflect any change in credit risk where required. The review takes into account factors such as the age of the debt, past debt recovery, recovery since the reporting date, discussions with the counter party on debt recovery and any debt guarantee letters provided to the Company by fellow group companies.

Impairment provisions for receivables from group companies are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses are recognised.

Provisions for onerous leases and dilapidation costs (see note 14)

At the reporting date, management are required to consider if any contracts entered into are onerous. For property leases, this is where the lease is no longer used in the business and unavoidable rental costs are higher than the expected income from subleasing.

Management have assessed each lease and raised provisions as required on the best information available and reflecting the position at the reporting date.

4 Revenue

An analysis of the company's revenue is as follows:

	2018	2017
	£	£
Turnover		
Software development	45,231,181	28,289,275
Royalties and platform fees	35,406	221,239
	45,266,587	28,510,514
Other significant revenue		
Dividends received	-	6,157,617

4 Revenue (Continued)

Revenue analysed by geographical market

	2018	2017
	£	£
European Union	45,266,587	28,510,514

The Group adopted IFRS 15 with a transition date of 1 January 2018. There were no material impact to the Group on the financial information of the comparative periods from the accounting policy changes resulting from the adoption of IFRS 15. All revenue is recognised over time using the output method and all revenue is business to business (B2B) in respect of contract counterparties.

As at 31 December 2018, there were no material unfulfilled contract obligations.

5 Operating profit

	2018	2017
	£	£
Operating profit for the year is stated after charging:		
Exchange losses	19,292	39,699
Fees payable to the company's auditor for the audit of the company's financial statements	68,663	36,050
Depreciation of property, plant and equipment	1,188,510	823,320
Share-based payments (see note 18)	709,537	930,649

6 Employees

The average monthly number of employees (including directors) were:

	2018 Number	2017 Number
Directors	2	2
Management	10	6
Operations	20	15
Marketing	46	41
Development	222	132
Administration	44	32
	344	228

Their aggregate remuneration comprised:

Employment costs	2018 £	2017 £
Wages and salaries	23,165,232	15,460,804
Social security costs	2,641,681	1,622,209
Pension costs	1,020,505	583,666
	26,827,418	17,666,679

7 Directors' remuneration

	2018 £	2017 £
Remuneration for qualifying services	485,964	435,116
Amounts receivable under long term incentive schemes	12,229	68,870
Company pension contributions to defined contribution schemes	14,149	24,536
	512,342	528,522

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2017 - 2).

Remuneration disclosed above include the following amounts paid to the highest paid director:

Remuneration for qualifying services	180,000	212,994
Amounts receivable under long term incentive schemes	-	44,736
Company pension contributions to defined contribution schemes	4,125	13,125

8 Investment income

	2018	2017
	£	£
Interest income		
Interest on bank deposits	2,789	-
Income from fixed asset investments		
Income from shares in group undertakings	-	6,157,617
Total income	2,789	6,157,617

9 Income tax expense

	2018	2017
	£	£
Corporation tax		
Current year	2,320,081	1,353,000
Adjustments in respect of prior periods	-	(330,000)
	2,320,081	1,023,000
Deferred tax		
Origination and reversal of temporary differences	(366,899)	112,026
Total tax charge	1,953,182	1,135,026

(Continued)

9 Income tax expense

The charge for the year can be reconciled to the profit per the income statement as follows:

	2018	2017
	£	£
Profit before taxation on continued operations	8,404,370	11,123,071
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.00% (2017: 19.25%)	1,596,830	2,141,191
Taxation impact of factors affecting tax charge:		
Income not taxable in determining taxable profit	-	(1,185,346)
Expenses not deductible in determining taxable profit	166,604	321,349
Impairment not deductible in determining taxable profit	-	164,164
Adjustment in respect of prior years	-	(330,000)
Other differences	(16,414)	(63,072)
Tax relief on share options	67,406	(101,729)
Other timing differences	366,899	112,026
Fixed asset timing differences	-	76,443
Group relief	(228,143)	-
Total adjustments	356,352	(1,006,165)
Tax charge for the year	1,953,182	1,135,026

10 Intangible fixed assets

	Goodwill	Trademarks	Total
	£	£	£
Cost			
At 31 December 2017 and 2018	13,986,800	12,930	13,999,730
Amortisation/impairment			
At 31 December 2017	-	12,930	12,930
At 31 December 2018	-	12,930	12,930
Carrying amount			
At 31 December 2018	13,986,800	-	13,986,800
At 31 December 2017	13,986,800	-	13,986,800

The above purchased goodwill is subject to an impairment review at the end of each reporting date.

11 Property, plant and equipment

	Land and buildings leasehold	Fixtures, fittings & equipment	Computer equipment	Total
	£	£	£	£
Cost				
At 1 January 2018	2,903,333	1,133,296	4,681,315	8,717,944
Additions	248,558	19,551	388,971	657,080
Disposals	-	(72,222)	(1,487,034)	(1,559,256)
At 31 December 2018	3,151,891	1,080,625	3,583,252	7,815,768
Accumulated depreciation and impairment				
At 1 January 2018	1,284,028	804,219	3,460,585	5,548,832
Charge for the year	356,655	143,964	687,891	1,188,510
Eliminated on disposal	-	(72,222)	(1,487,034)	(1,559,256)
At 31 December 2018	1,640,682	875,961	2,661,442	5,178,085
Carrying amount				
At 31 December 2018	1,511,209	204,664	921,810	2,637,683
At 31 December 2017	1,619,305	329,077	1,220,730	3,169,112

12 Subsidiaries

Details of the company's subsidiaries at 31 December 2018 are as follows:

Name of undertaking	Registered office	Ownership interest (%)	Voting power held (%)	Nature of business
V S Gaming Limited	England	100	100	Dormant
VS Technology Limited	England	100	100	Dormant
Ash Gaming Limited	England	100	100	Dormant
Geneity Ltd	England	100	100	Dormant

The registered office of the above subsidiaries is the same as that of the company.

13 Trade and other receivables

	2018	2017
	£	£
Trade receivables	209,314	218,340
Other receivables	20,320	454,698
Deferred tax recoverable (see note 15)	404,571	37,672
Amount due from parent undertaking	7,569,780	7,402,495
Amounts due from fellow group undertakings	16,700,760	13,476,768
Prepayments	1,768,495	777,445
	26,673,240	22,367,418

Balances due from fellow group companies are repayable on demand and interest free. The company has applied a probability-based approach to measuring expected credit losses based on the expected manner of recovery and recovery period. Based on this assessment no credit loss provision was required on transition or at 31 December 2018.

14 Trade and other payables

	Current		Non-current	
	2018	2017	2018	2017
	£	£	£	£
Trade payables	44,006	132,219	-	-
Amount due to parent undertaking	-	17,812,244	-	-
Amounts due to fellow group undertakings	1,662,395	1,673,314	-	-
Accruals	2,836,035	1,798,518	-	-
Social security and other taxation	6,765,049	1,186,639	-	-
Corporation tax	1,900,631	1,451,136	-	-
Other payables	130,813	231,244	829,000	-
	13,338,929	24,285,314	829,000	-

Included in amounts due to the parent undertaking, is an intergroup loan in connection with the acquisition of Ash Gaming Limited and Geneity Limited. Interest on the loan is charged at UK base rate + 2.25% per annum and is payable on demand.

Provisions for liabilities - Non-current

During the year, the company has made a provision for onerous leases totalling £829,000 (2017 - Nil). Onerous leases predominantly relate to the excess of rents payable over rents receivable or expected to be received on sub-let office space. Inherent uncertainties in measuring the provision relate to estimates of the amount of rent that will be received in the future on vacant property or dilapidations payable at the term end.

15 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period. Deferred tax relates to timing differences on accruals and employment benefits.

	ACAs	Provisions	Total
	£	£	£
Deferred tax asset at 1 January 2018	37,672	-	37,672
Deferred tax movements in current year			
Timing differences recognised in the income statement	121,989	244,910	366,899
Deferred tax liability at 31 December 2018	159,661	244,910	404,571

16 Lease premiums

	2018	2017
	£	£
Arising from reverse premiums on tenancy agreements	4,063,425	-
	4,063,425	-

Analysis of lease premiums

During the year, the company entered into a new 8-year lease and received a reverse lease premium of £4,194,501, which will be released to the income statement over the term of the lease. Lease premiums are classified based on the amounts that are expected to be utilised within the next 12 months and after more than 12 months from the reporting date, as follows:

	2018	2017
	£	£
Current liabilities	524,315	-
Non-current liabilities	3,539,110	-
	4,063,425	-

17 Retirement benefit schemes

Defined contribution schemes

The total costs charged to income in respect of defined contribution plans is £1,020,505 (2017 - £583,666). At the year-end, a balance of £51,195 was owed by the company (2017: £103,650).

18 Share-based payment transactions

The ultimate parent company operates a Company Share Option Plan ("CSOP") for certain employees of the Company. Options granted under the Plan vest on the first day on which they become exercisable which is three years after grant date. Further details on the terms of this scheme are discussed in more detail in the Group annual report.

	Number of share options	
	2018	**2017**
Outstanding at 1 January 2018	283,874	186,777
Transferred from group companies	-	97,097
Granted	519,006	-
Exercised	(41,786)	-
Forfeit	(82,045)	-
Outstanding at 31 December 2018	679,049	283,874

The exercise price of options outstanding at the end of the year was £0.06 (2017 - £0.13) and their weighted average contractual life was 3 years (2017 - 3 years). 79,740 (2017 - Nil) of the options outstanding at the end of the year had vested and were exercisable at the end of the year.

The weighted average share price (at the date of exercise) and weighted average fair value of each option granted during the year was £6.91 (2017 - £9.54), and £5.34 (2017 - £9.63) respectively.

The Company granted 519,006 (2017 - 102,944) Nil cost awards in the year.

Total expenses of £709,537 relating to equity settled share based payment transactions, were recognised in the year (2017 - £930,649).

19 Share capital

	2018	**2017**
	£	**£**
Ordinary share capital		
Authorised		
200,000,000 Ordinary shares of 5p each	10,000,000	10,000,000
Issued and fully paid		
45,000,093 Ordinary shares of 5p each	2,250,005	2,250,005

20 Operating leases commitments

Lessee

Amounts recognised in profit or loss as an expense during the period in respect of operating lease arrangements are as follows:

	2018	**2017**
	£	**£**
Minimum lease payments under operating leases	3,131,352	1,311,952

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land and buildings	
	2018	**2017**
	£	**£**
Within one year	3,919,016	1,013,812
Between two and five years	12,855,552	3,488,624
	16,774,568	4,502,436

21 Controlling party

The immediate parent company is Technology Trading (IOM) Limited, a company incorporated in the Isle of Man. The ultimate parent company is Playtech PLC, a company incorporated in the Isle of Man. Playtech PLC is listed on the London Stock Exchange and copies of its consolidated financial statements may be obtained from the group's website (www.playtech.com). The smallest and largest group in which the company's results are consolidated is that headed by Playtech PLC.