

COMPANY REGISTRATION NUMBER: 03500514

Barcrest Group Limited
Annual Report and Financial Statements
For the Year Ended
31 December 2019



Barcrest Group Limited
Financial Statements
Year Ended 31 December 2019

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Barcrest Group Limited
Officers and Professional Advisers

The Board of Directors

P Philips
M Eklund

Registered Office

Fourth Floor
Building 9 Chiswick Park
566 Chiswick High Road
London
W4 5XT

Auditor

Deloitte LLP
Statutory auditor
1 City Square
Leeds
LS1 2AL

Bankers

Bank of America Merrill Lynch
2 King Edward Street
London
EC1A 1HQ

Barcrest Group Limited

Strategic Report

Year Ended 31 December 2019

Review of the Business and Key Performance Indicators

The principal activity of Barcrest Group Limited ("the Company") is the development, provision and support of gaming content together with associated hardware to arcades and bingo halls situated in the United Kingdom.

Turnover for the year ended 31 December 2019 increased by £6.3m to £27.7m (2018: £21.4m). The increase is due to one-off large sales in the year and driven by the cyclical nature of product sales within the marketplace the company operates in. This resulted in a profit before tax for the year of £9.5m (2018: £6.5m).

The directors consider revenue, terminal numbers and revenue per terminal per day to be the most important key performance indicators of the company. The company KPIs are monitored on a regular basis by the management team. Further disclosure of the company's KPIs is not provided as it is considered commercially sensitive.

The retained profit after taxation for this year of £9.3m (2018: £6.4m), this was all transferred to reserves. A dividend of £nil (2018: £nil) was paid during the year. £nil dividend has been proposed (2018: £nil).

The Company, together with its fellow Group companies, continues to invest in research and development of games. This has resulted in a number of new products being launched throughout the year which are expected to continue to contribute to the future growth of the business. The Directors regard continued investment in this area as a prerequisite for future medium and long-term success. Research and development costs are considered part of the key operations of the Company, they have not been separately disclosed in this report as the Directors believe doing so would be prejudicial to the interests of the Company.

Principal Risks and Uncertainties

The Directors, utilising resources from across the Scientific Games Gaming group, ensure the Company benefits from readily available and flexible funding arrangements to meet its on-going liquidity requirements. In addition, the Directors work with the Group treasury function to manage the interest rate risks, liquidity risks, foreign exchange risks and commodity risks of the Company.

As a company working within a highly regulated industry, there are always potential risks from the ongoing long term changes in the regulatory environment. The directors continually work to assess any upcoming changes to this regulation and react accordingly to mitigate any adverse effects to the business. The Company also has to consider the effects of the ongoing evolution of the UK high street environment with the increase in popularity of online gaming, however this area is not considered to directly compete with the Company's current product offering.

Brexit

The full impact on Brexit on the Company is not yet known. Management have reviewed the likely effect on trading, and have concluded that the impact is not likely to have a significant impact in the way the business operates. The Company at the date of signing is waiting for a decision on the future state by the government and the EU; once this is known, the full impact will be evaluated and, if necessary and possible, the business will seek to mitigate it.

Important events since the year end

With the recent and rapid development of the Coronavirus disease (COVID-19) outbreak the world economy entered into an unprecedented health care crisis that has already caused considerable global disruption in business activities and everyday life. Many countries have adopted extraordinary and economically costly containment measures including the United Kingdom.

Barcrest Group Ltd primarily serves customers operating within the arcade and bingo hall market in the United Kingdom, post year-end this marketplace is materially impacted by government restrictions designed to prevent transmission of the virus. As such revenue is materially impacted and is expected to be significantly lower in the FY20 year. Experience to date suggests that the impact of restrictions and closures are time limited and one-off in nature; during periods of re-opening, activity has bounced back positively and revenue has trended towards historic averages.

Barcrest Group Limited
Strategic Report (continued)
Year Ended 31 December 2019

Important events since the year end (continued)

Barcrest Group Ltd has implemented a number of short term cost-cutting measures, including utilisation of the UK Governments furlough scheme. As such the impact on underlying profit as a result of reduced revenues is significantly mitigated and the Company has been agile in manoeuvring toward a forward looking position in order to take full advantage of a loosening of restrictions.

Management has considered the unique circumstances and the risk exposures of the Company and has concluded that the recent events are not expected to have a long-term impact on the business operations of the Company. Management will continue to monitor the situation closely and act flexibly as the external factors it face develops.

Section 172 (1) Statement

In discharging their duty to promote the interests of the Company under section 172 of the Companies Act 2006, the Directors of the Company have regard to a number of factors and stakeholders interests. These are described below.

Long term consequences of business decisions and maintaining reputation for high standards of business conduct

The Company and its subsidiaries operate in a highly regulated sector, which is characterised by a large number of buyers and sellers and in an environment where maintaining a reputation for high standards is deemed to be critical. A number of the Group's business relationships can last upwards of ten years, accordingly, consideration of long-term consequences are an inherent part of the Company's decision-making processes. As a privately owned company which is ultimately held by Scientific Games Corporation the Directors consider that the interests of the Company and its ultimate owners are aligned in seeking sustainable value creation over the longer term through the Company's subsidiaries, promoting long term strategic decision-making.

The Interests of the company's employees

The Group operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2005. During the year, the policy of providing employees with information, including information relating to the economic and financial factors affecting the performance of the Group, has been continued through regular new updates in which employees have also been encouraged to present their suggestions and views on the Group's performance as well as any other matters that may be of interest. Regular meetings are held between local management and employees to allow a free flow of information and ideas. Employees participate directly in the success of the business through the Group's profit sharing schemes.

Identification of, and engagement with, stakeholder groups

The Company recognises the importance of maintaining strong relationships with its stakeholders in order to create sustainable long term value, and the Board encourages active dialogue and transparency with its stakeholder groups, particularly its customers and suppliers.

The Company and wider group has identified four main stakeholders across the group as a whole, which are relevant to the proper discharge of the duty of the Director of relevant group companies under section 172(1) to promote the success of the company. These are:

- The Group's customers
- The Group's suppliers
- The Group's employees and the wider community
- The Group's lenders and owners

Impact of the company's operations on the community and the environment

The Company and wider group operates in the gambling sector and as such believes in customers using its products responsibly.

Barcrest Group Limited
Strategic Report
Year Ended 31 December 2019

Section 172 (1) Statement (continued)

The Company and wider group support charitable initiatives and communities through a variety of programs, including direct financial donations and employee volunteer activities to ensure a proportion of business resources is allocated to improving the community in which it operates. Financial support is also offered to a number of responsible gaming organisations dedicated to problem gaming prevention and treatment.

The Company and wider group aims to build environment sustainability into each business process and function. By making sustainability an integral part of the Group's business operations, value is created for stakeholders at the same time as protecting the environment.

Need to act fairly as between members of the company

The Company is wholly owned by Global Draw Limited and ultimately owned by Scientific Games Incorporated. All decisions made by the Director ensure are fully aligned with the interests of these members.

Financial Risk Management Objectives and Policies

The Company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk as detailed below.

Cash flow risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, due to purchase of hardware and associated parts in US Dollars. The company reviews costs and the effects of any exchange rate changes on a regular basis to ensure any adverse variances are mitigated. Due to the Company's position within the Group, there are no interest bearing loans and therefore no interest rate risks to mitigate.

Credit risk

The Company's principal financial assets are trade and other receivables. The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. There is limited risk in relation to bank and cash balances due to the Group's cash management policies, including a pooling of cash resources at a local level. The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Company utilises available resources provided from within the Group. Effective cashflow forecasting allows for the provision of Group resources for any significant cash outflows that could not be covered by the Company individually.

This report was approved by the board of directors on 22nd December 2020 and signed on behalf of the board by:



P Philips
Director

Barcrest Group Limited
Directors' Report
Year Ended 31 December 2019

The directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2019.

Directors

The directors who served the Company during the year and up to the date of this report except as stated otherwise were as follows:

P D Horne (resigned 4 April 2020)

P Philips

M Eklund (appointed 26 June 2020)

M Herrera (appointed 11 August 2020, resigned 31 October 2020)

M Quartieri (appointed 4 April 2020, resigned 26 June 2020)

Dividends

A dividend of £nil (2018: nil) was paid during the year.

Employment of Disabled Persons

It is Company policy that there shall be no discrimination in respect of sex, colour, religion, race, nationality or ethnic origin and that equal opportunity shall be given to all employees.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the Company that all employees be given equal opportunities in respect of training, career development and promotion.

Employee Involvement

Details of the number of employees and related costs can be found in note 7 of the financial statements on page 16.

The Company places considerable value on the involvement of its employees and has continued its practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the Company.

In addition to widely established arrangements involving core briefings and Company newsletters, the Company also operates regular communication road shows with its employees.

Going Concern

The directors have reviewed the forecast of the Company's activities for a period of at least 12 months from the signing of the Statement of Financial Position. Taking into account current market conditions, volatility and the impact of COVID-19 on the Company's activities, the directors are satisfied that the Company has adequate resources to continue in business for the foreseeable future. On this basis, the Company has prepared its accounts on a going concern basis.

Additionally, the directors have also received a letter of support provided by the Group's ultimate parent undertaking. The director has reviewed forecasts, at both an entity and group level, and whilst it is recognised that COVID-19 will have an adverse impact on future profitability and cash flow, it is satisfied of their ability to continue to support the Company if necessary.

Barcrest Group Limited
Directors' Report
Year Ended 31 December 2019

Disclosure of Information in the Strategic Report

The company has chosen in accordance with Companies Act 2006, s.414C(11) to set out the company's strategic reporting information required by Large and Medium-sized Companies and Group (Accounts and Reports) Regulations 2008 Sch. 7 to be contained in the directors' report.

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of s.418 of the Companies Act 2006.

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

This report was approved by the board of directors on 22nd December 2020 and signed on behalf of the board by:



P Philips
Director

Barcrest Group Limited
Statement of Directors' Responsibilities
Year Ended 31 December 2019

The directors are responsible for preparing the strategic report, 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS102 "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 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 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; 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.

Barcrest Group Limited
Independent Auditor's Report to the Members of Barcrest Group Limited
Year Ended 31 December 2019

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Barcrest Group Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of income and retained earnings;
- the statement of financial position; and
- the related notes 1 to 20.

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).

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 are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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.

We have nothing to report in respect of these matters.

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.

Barcrest Group Limited
Independent Auditor's Report to the Members of Barcrest Group Limited
Year Ended 31 December 2019

Other information (continued)

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 respect of these matters.

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Barcrest Group Limited
Independent Auditor's Report to the Members of Barcrest Group Limited
Year Ended 31 December 2019

Opinions on other matters prescribed by the Companies Act 2006 (continued)

Matters on which we are required to report by exception

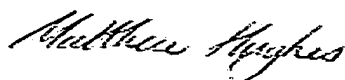
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

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



Matthew Hughes BSc (Hons) A.C.A. (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Leeds, United Kingdom

22nd December 2020

Barcrest Group Limited
Statement of Income and Retained Earnings
Year Ended 31 December 2019

		2019	2018
	Note	£'000	£'000
Turnover	4	27,714	21,440
Cost of sales		(11,580)	(8,190)
Gross profit		16,134	13,250
Administrative expenses		(7,159)	(6,794)
Operating profit	5	8,975	6,456
Income from shares in group companies		5,019	—
Amounts written off investments	10	(5,001)	—
Other interest receivable and similar income	8	493	14
Profit before taxation		9,486	6,470
Tax on profit	9	(199)	(109)
Profit for the financial year and total comprehensive income		9,287	6,361
Retained losses at the start of the year		(13,696)	(20,057)
Retained losses at the end of the year		(4,409)	(13,696)

The above results were derived from continuing operations.

There were no recognised gains or losses for the periods other than those included in the Statement of Income.

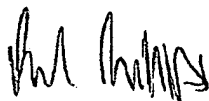
The notes form part of these financial statements.

Barcrest Group Limited
Statement of Financial Position
Year Ended 31 December 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Tangible assets	10	368	296
Investments	11	—	5,001
		<u>368</u>	<u>5,297</u>
Current assets			
Stocks	12	9,823	7,863
Debtors	13	180,108	166,093
Cash at bank and in hand		373	74
		<u>190,304</u>	<u>174,029</u>
Creditors: amounts falling due within one year	14	<u>(116,371)</u>	<u>(113,631)</u>
Net current assets		<u>73,933</u>	<u>60,398</u>
Total assets less current liabilities		<u>74,301</u>	<u>65,695</u>
Provisions			
Other provisions	15	<u>(2,242)</u>	<u>(2,925)</u>
Net assets		<u>72,059</u>	<u>62,770</u>
Capital and reserves			
Called up share capital	18	1,000	1,000
Share premium account	19	20,000	20,000
Capital contribution reserve	19	55,468	55,468
Profit and loss account	19	<u>(4,409)</u>	<u>(13,696)</u>
Members funds		<u>72,059</u>	<u>62,772</u>

These financial statements were approved by the board of directors and authorised for issue on 22nd December 2020, and are signed on behalf of the board by:

The notes form part of these financial statements.



P Philips
Director

Company registration number: 03500514

Barcrest Group Limited
Notes to Financial Statements
Year Ended 31 December 2019

1. General Information

Barcrest Group Limited ('the Company') is a private company limited by shares, registered in England and Wales. The address of the registered office is Fourth Floor, Building 9 Chiswick Park, 566 Chiswick High Road, London, W4 5XT.

2. Statement of Compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland'.

3. Accounting Policies

Basis of Preparation and General Information

The Company is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given in note 1 and on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 2 to 3.

The financial statements have been prepared on the historical cost basis and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The company is exempt from the requirements to produce group accounts, as it is wholly owned by Scientific Games Corporation, a company registered in the United State of America and listed on the NASDAQ exchange and therefore exempt by virtue of Section 401 of the Companies Act 2006. The financial statements of the company and its subsidiary undertaking are included in the consolidated accounts of the parent company. These accounts therefore present information about the Company as an individual undertaking and not about its group.

Going Concern

The directors have reviewed the forecast of the Company's activities for a period of at least 12 months from the signing of the Statement of Financial Position. Taking into account current market conditions, volatility and the impact of COVID-19 on the Company's activities, the directors are satisfied that the Company has adequate resources to continue in business for the foreseeable future. On this basis, the Company has prepared its accounts on a going concern basis.

Additionally, the directors have also received a letter of support provided by the Group's ultimate parent undertaking. The director has reviewed forecasts, at both an entity and group level, and whilst it is recognised that COVID-19 will have an adverse impact on future profitability and cash flow, it is satisfied of their ability to continue to support the Company if necessary.

Barcrest Group Limited
Notes to Financial Statements (*continued*)
Year Ended 31 December 2019

Disclosure Exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the publicly available financial statements of Scientific Games Corporation, who can be found at 6601 Bermuda Road, Las Vegas, NV 89119. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

- (a) No cash flow statement has been presented for the Company.
- (b) Disclosures in respect of financial instruments have not been presented.
- (c) No disclosure has been given for the aggregate remuneration of key management personnel.
- (d) No disclosures have been made in respect of related party transactions with other group companies

Judgements and Key Sources of Estimation Uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

Accounting estimates and assumptions are made concerning the future and, by their nature, will rarely equal the related actual outcome. The key assumptions and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Provisions

Provisions were made in relation to a legal settlement recognised as an exceptional cost in 2014. The carrying value of the provision at the year end is £2.2m (2018: £2.9m) (Note 14), which represents the brought forward provision in Euros less payments made in the year under the settlement agreement, revalued at the year end exchange rate. Management regularly assess factors other than payments under the settlement agreement and revaluations; based on known events, it is not believed there are any further factors during the year that would impact on the valuation of the provision.

There were no other areas requiring significant estimation or critical judgement.

Revenue Recognition

Turnover is measured at the fair value of the consideration received or receivable for goods supplied and services rendered, net of discounts and Value Added Tax. The company's revenue is derived from two main revenue streams with revenue recognition policies as follows:

Sales of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have transferred to the buyer (usually on despatch of the goods); the amount of revenue can be measured reliably; it is probable that the associated economic benefits will flow to the entity; and the costs incurred or to be incurred in respect of the transactions can be measured reliably.

Barcrest Group Limited
Notes to Financial Statements (*continued*)
Year Ended 31 December 2019

Revenue Recognition (*continued*)

Rendering of services

Revenue from leased terminals is recognised straight line over the term of the lease where the transactions is deemed to be an operating lease and the fees are fixed throughout the contract. Where revenue is based upon a percentage share of machine takings, revenue is recognised on an accrued basis based upon actual machine takings and contracted percentages.

Where a leased terminal is deemed to be a finance lease under Section 20 of FRS102, the fair value of the asset or, if lower, the present value of the minimum lease payments is recognised as revenue on commencement of the lease. Finance income at the implied rate of interest is then recognised over the remaining term of the lease in line with provision regarding manufacturer or dealer lessors.

Revenues from other services, including content provision, are measured by reference to the stage of completion of the service transaction at the end of the reporting period where the fees are fixed throughout the contract. Where revenue is based upon a percentage share of machine takings, revenue is recognised on an accrued basis based upon actual machine takings and contracted percentages.

Revenue from the rendering of services is measured by reference to the stage of completion of the service transaction at the end of the reporting period provided that the outcome can be reliably estimated. When the outcome cannot be reliably estimated, revenue is recognised only to the extent that expenses recognised are recoverable.

Income Tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax is recognised on taxable profit for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised 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 is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

Foreign Currencies

Foreign currency transactions are initially recorded in the functional currency, by applying the spot exchange rate as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the reporting date, with any gains or losses being taken to the profit and loss account.

Operating Leases

Lease payments are recognised as an expense over the lease term on a straight-line basis. The aggregate benefit of lease incentives is recognised as a reduction to expense over the lease term, on a straight-line basis.

Barcrest Group Limited
Notes to Financial Statements (*continued*)
Year Ended 31 December 2019

Tangible Assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Terminals	- 25% straight line
Fixtures and fittings	- 25% straight line
Equipment	- 25% straight line

Impairment of Fixed Assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Investments

Fixed asset investments are initially recorded at cost, and subsequently stated at cost less any accumulated impairment losses.

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the statement of financial position and the amount of the provision as an expense.

Barcrest Group Limited
Notes to Financial Statements (*continued*)
Year Ended 31 December 2019

Provisions (*continued*)

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Financial Instruments

A financial asset or a financial liability is recognised only when the company becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction, where it is recognised at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Debt instruments are subsequently measured at amortised cost.

Where investments in non-convertible preference shares and non-puttable ordinary shares or preference shares are publicly traded or their fair value can otherwise be measured reliably, the investment is subsequently measured at fair value with changes in fair value recognised in profit or loss. All other such investments are subsequently measured at cost less impairment.

Other financial instruments, including derivatives, are initially recognised at fair value, unless payment for an asset is deferred beyond normal business terms or financed at a rate of interest that is not a market rate, in which case the asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Other financial instruments are subsequently measured at fair value, with any changes recognised in profit or loss, with the exception of hedging instruments in a designated hedging relationship.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised in profit or loss immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

Barcrest Group Limited
Notes to Financial Statements (*continued*)
Year Ended 31 December 2019

Defined Contribution Plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

4. Turnover

Turnover arises from:	2019	2018
	£000	£000
Sale of goods	20,088	11,649
Rendering of services	7,626	9,790
	<u>27,714</u>	<u>21,439</u>

The whole of the turnover is attributable to the principal activity of the company wholly undertaken in the United Kingdom.

5. Operating Profit

Operating profit or loss is stated after charging/(crediting):

	2019	2018
	£000	£000
Depreciation of tangible assets	99	545
Loss on disposal of tangible assets	98	—
Operating lease rentals	424	472
Foreign exchange (gain)/loss	<u>(1,006)</u>	<u>935</u>

Barcrest Group Limited
Notes to Financial Statements (continued)
Year Ended 31 December 2019

6. Auditor's Remuneration

	2019	2018
	£000	£000
Fees payable for the audit of the financial statements	<u>40</u>	<u>65</u>
Fees payable to the Company's auditor and its associates for other services:		
Taxation compliance services	<u>11</u>	<u>11</u>
	<u>11</u>	<u>11</u>

7. Staff Costs

The average number of persons employed by the Company during the year, including the directors, amounted to:

	2019	2018
	No.	No.
Production staff	71	61
Distribution staff	4	6
Administrative staff	<u>130</u>	<u>110</u>
	<u>205</u>	<u>177</u>

The aggregate payroll costs incurred during the year, relating to the above, were:

	2019	2018
	£000	£000
Wages and salaries	7,307	6,112
Social security costs	712	621
Other pension costs	<u>358</u>	<u>259</u>
	<u>8,377</u>	<u>6,992</u>

There were no directors emoluments in the year as the directors of the Company are remunerated through the Company's parent company, Global Draw Limited and it was not considered practical to allocate these costs among the group companies.

Barcrest Group Limited
Notes to Financial Statements (continued)
Year Ended 31 December 2019

8. Interest receivable and similar income

	2019	2018
	£000	£000
Interest receivable and similar income	493	15
	<u>493</u>	<u>15</u>

9. Tax on Profit

Major components of tax expense

	2019	2018
	£000	£000
Current tax:		
UK current tax expense	—	—
Adjustments in respect of prior periods	—	—
Total current tax	<u>—</u>	<u>—</u>
Deferred tax:		
Origination and reversal of timing differences	199	109
Impact of change in tax rate	—	—
Total deferred tax	<u>199</u>	<u>109</u>
Tax on profit	<u>199</u>	<u>109</u>

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2018) and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. However, in the March 2020 Budget it was announced that the cut in the rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%. As this has not been enacted by the balance sheet date, balances as at 31 December 2019 continue to be measured at 17%.

Barcrest Group Limited
Notes to Financial Statements (continued)
Year Ended 31 December 2019

9. Tax on Profit (continued)

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

Reconciliation of tax expense/ (income)

The tax assessed on the profit for the year is lower than (2018: lower than) the average standard rate of corporation tax in the UK of 19.00% (2018: 19.25%).

	2019	2018
	£000	£000
Profit before taxation	<u>9,487</u>	<u>6,470</u>
Profit by rate of tax	1,803	1,229
Effect of expenses not deductible for tax purposes	2	2
Depreciation in excess of Capital allowances	(77)	—
Movement in short term timing differences	(23)	(13)
Group relief claimed	<u>(1,506)</u>	<u>(1,109)</u>
Tax on profit	<u>199</u>	<u>109</u>

Barcrest Group Limited
Notes to Financial Statements (continued)
Year Ended 31 December 2019

10. Tangible Assets

	Terminals £000	Fixtures and fittings £000	Equipment £000	Total £000
Cost				
At 1 January 2019	3,068	3,933	348	7,349
Additions	230	39	—	269
Disposals	(1,694)	(1,389)	—	(3,083)
At 31 December 2019	1,604	2,583	348	4,535
Depreciation				
At 1 January 2019	2,805	3,916	332	7,053
Charge for the year	79	12	8	99
Disposals	(1,596)	(1,389)	—	(2,985)
At 31 December 2019	1,288	2,539	340	4,167
Carrying amount				
At 31 December 2019	316	44	8	368
At 31 December 2018	263	17	16	296

11. Investments

	Shares in group undertakings £000
Cost	
At 1 January 2019 and 31 December 2019	5,001
Impairment	
At 1 January 2019	—
Impairment during the year	5,001
At 31 December 2019	5,001
Carrying amount	
At 31 December 2018	5,001
At 31 December 2019	—

The Company has taken advantage of section 400 of the Companies Act 2006 in not producing consolidated financial statements.

Barcrest Group Limited
Notes to Financial Statements (continued)
Year Ended 31 December 2019

11. Investments (continued)

There are no indirect investments.

The investment in Barcrest Development BV has been accounted for at cost less any impairment.

Following a decision to wind up SG Gaming Limited the intercompany receivable balance was impaired by £5,000,999 and a final dividend of £5,019,460 was paid as a final distribution to Barcrest Group Limited. As such the net asset value of SG Gaming Limited is £1 and the associated investment value in the entity is also £1.

Subsidiaries, associates and other investments

	Principal activity	Class of share	Percentage of shares held
Subsidiary undertakings			
SG Gaming Limited	Dormant	Ordinary shares	100
Other significant holdings			
Barcrest Development BV	Non-trading	Ordinary shares	50

The registered office of both companies is the same as Barcrest Group Limited as disclosed on page 1.

12. Stocks

	2019	2018
	£000	£000
Raw materials and consumables	6,087	5,148
Work in progress	82	229
Finished goods and goods for resale	3,654	2,485
	<u>9,823</u>	<u>7,862</u>

There is no material difference between the balance sheet value of stocks and their replacement cost.

13. Debtors

	2019	2018
	£000	£000
Trade debtors	16,701	12,148
Amounts owed by parent company	151,773	145,288
Amounts owed by group undertakings	9,422	6,384
Deferred tax asset (note 15)	1,477	1,676
Prepayments and accrued income	735	597
	<u>180,108</u>	<u>166,093</u>

Amounts owed by the parent company and group undertakings are unsecured, bear no interest and are repayable on demand.

Barcrest Group Limited
Notes to Financial Statements (continued)
Year Ended 31 December 2019

14. Creditors: amounts falling due within one year

	2019	2018
	£000	£000
Trade creditors	503	8,518
Amounts owed to group undertakings	112,265	99,492
Accruals and deferred income	1,987	2,753
Social security and other taxes	1,592	2,807
Other creditors	24	61
	<u>116,371</u>	<u>113,631</u>

Amounts owed to group undertakings are unsecured, bear no interest and are repayable on demand.

15. Provisions

	2019	2018
	£000	£000
At 1 January	2,925	3,150
Revaluation	(137)	—
Utilisation	(546)	(225)
At 31 December	<u>2,242</u>	<u>2,925</u>

The legal settlement provision was recognised in 2014 in relation to a settlement made with a customer. During 2019, payments as shown above have been made in relation to the original provision recognised. The provision made is still considered to be appropriate based on the current payments made in relation to the claim. The suitability of the remaining provision continues to be assessed on a regular basis as claims are paid.

Future payments are dependent on claims made across the wider group and whether particular thresholds are reached, therefore the Directors are unable to reliably estimate the amount to be incurred in the next twelve months.

Barcrest Group Limited
Notes to Financial Statements (continued)
Year Ended 31 December 2019

16. Deferred Tax

The deferred tax included in the statement of financial position is as follows:

	2019	2018
	£000	£000
Included in debtors (note 12)	<u>1,477</u>	<u>1,676</u>

The deferred tax account consists of the tax effect of timing differences in respect of:

	2019	2018
	£000	£000
Accelerated capital allowances	1,096	1,179
Provisions	<u>381</u>	<u>497</u>
	<u>1,477</u>	<u>1,676</u>

The movement in deferred tax during the year is as follows:

	2019	2018
	£000	£000
At 1 January	1,676	1,785
Movement in the year	<u>(199)</u>	<u>(109)</u>
At 31 December	<u>1,477</u>	<u>1,676</u>

17. Employee Benefits

Defined contribution plans

The amount recognised in profit or loss as an expense in relation to defined contribution plans was £358,000 (2018: £259,000).

The amount unpaid at the year end was £nil (2018: £22,680).

18. Called Up Share Capital

Issued, called up and fully paid

	2019		2018	
	No.	£000	No.	£000
Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000</u>	<u>1,000,000</u>	<u>1,000</u>

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

Barcrest Group Limited
Notes to Financial Statements (*continued*)
Year Ended 31 December 2019

19. Reserves

Share premium account - This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Capital contribution reserve – This reserve represents the waiver of an intercompany debt owed by Barcrest Group Limited to another group company.

Profit and loss account – This reserve records retained earnings and accumulated losses, net of dividends paid and other adjustments.

20. Ultimate Parent Company and Controlling Party

The immediate parent Company is Global Draw Limited, which is registered in England and Wales. The Company's ultimate parent Company is Scientific Games Corporation which is incorporated and registered in the United States of America. This is both the largest and smallest company to produce consolidated financial statements. Copies of the accounts of Scientific Games Corporation, in which the Company's results are consolidated, can be obtained from Scientific Games Corporation, 6601 Bermuda Road, Las Vegas, NV 89119.