

Company Registration No. 5425266 (England and Wales)

GAMING TECHNOLOGY SOLUTIONS LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017



GAMING TECHNOLOGY SOLUTIONS LIMITED

COMPANY INFORMATION

Directors	J Schlachter I Ince
Secretary	B Moore
Company number	5425266
Registered office	Fourth Floor 61 Southwark Street London SE1 0HL
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 61 Southwark Street London SE1 0HL

GAMING TECHNOLOGY SOLUTIONS LIMITED

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GAMING TECHNOLOGY SOLUTIONS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present the strategic report and financial statements for the year ended 31 December 2017.

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 and as a result there was dividend income of £1.2m from Ash Gaming Limited and £5.1m from Geneity Limited and a resulting impairment of investments totalling £852,800.

The key financial performance indicators used by the Board to monitor the financial performance of the company and its results for 2017 are as follows:

Costs increased by 12% from £20.2m to £22.6m, primarily due to the increased operations in the Company. The main increase related to employee costs as included in note 4. As a result, turnover increased from £24.8m to £28.5m, growth of 15%.

Together with a significant increase of £5m in dividend income, the above escalation in operations resulted in an increase in profit before tax to £11.1m (2016: £3.4m).

The Company ended the year with net assets of £19.1m (2016 - £8.1m) which included net current assets of £1.9m (2016 - £6.1m). Cash at the reporting date totalled £3.8m (2016 - £2.3m).

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

Principal risks and activities

The principal risks and uncertainties of the company are very similar to those disclosed in the annual report of Playtech PLC for the year ended 31 December 2017.

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.

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.

On behalf of the board



I Ince
Director

27 September 2018

GAMING TECHNOLOGY SOLUTIONS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their annual report and financial statements for the year ended 31 December 2017.

Results and dividends

The results for the year are set out on page 6.

The directors do not recommend a final dividend for the year (2016 - £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)

Financial instruments

Financial risk management

The company makes little use of financial instruments other than operational bank accounts. 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.

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 directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law 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.

GAMING TECHNOLOGY SOLUTIONS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

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



I Ince
Director

27 September 2018

GAMING TECHNOLOGY SOLUTIONS LIMITED

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 2017 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 2017 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 Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with applicable legal requirements.

GAMING TECHNOLOGY SOLUTIONS LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF GAMING TECHNOLOGY SOLUTIONS LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the 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

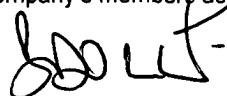
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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.



Matthew White (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor
London

Date:

27 September 2018

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 2017

	Notes	2017 £	2016 £
Revenue	2	28,510,514	24,826,529
Cost of sales		(75,987)	(304,860)
Gross profit		28,434,527	24,521,669
Administrative expenses		(22,612,596)	(20,199,224)
Operating profit	3	5,821,931	4,322,445
Impairment losses	10	(852,800)	(2,127,125)
Investment income	6	6,157,617	1,189,491
Interest payable and similar charges		(3,677)	(1,843)
Profit before taxation		11,123,071	3,382,968
Tax on profit on ordinary activities	7	(1,135,026)	(1,258,552)
Profit for the financial year		9,988,045	2,124,416
Total comprehensive income for the year attributable to owners		9,988,045	2,124,416

GAMING TECHNOLOGY SOLUTIONS LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Notes	2017 £	2016 £
Fixed assets			
Intangible assets - goodwill	8	13,986,800	-
Property, plant and equipment	9	3,169,112	2,059,395
		<u>17,155,912</u>	<u>2,059,395</u>
Current assets			
Trade and other receivables	12	22,367,418	10,386,644
Cash at bank and in hand		3,828,832	2,288,078
		<u>26,196,250</u>	<u>12,674,722</u>
Current liabilities			
Trade and other payables	13	24,285,314	6,585,963
		<u>24,285,314</u>	<u>6,585,963</u>
Net current assets		1,910,936	6,088,759
Net assets		<u>19,066,848</u>	<u>8,148,154</u>
Equity			
Called up share capital	17	2,250,005	2,250,005
Share premium account		130,273	130,273
Other reserves		1,547,065	616,416
Retained earnings		15,139,505	5,151,460
Total equity		<u>19,066,848</u>	<u>8,148,154</u>

The financial statements were approved by the board of directors and authorised for issue on 27 September 2018 and are signed on its behalf by:


 Director

Company Registration No. 5425266

GAMING TECHNOLOGY SOLUTIONS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital	Share premium account	Share based payment reserve	Retained earnings	Total
Notes	£	£	£	£	£
Balance at 1 January 2016	2,250,005	130,273	437,742	3,027,044	5,845,064
Year ended 31 December 2016:					
Profit and total comprehensive income for the year	-	-	-	2,124,416	2,124,416
Share based payment transactions	-	-	178,674	-	178,674
Balance at 31 December 2016	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

GAMING TECHNOLOGY SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

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 Fourth Floor, 61 Southwark Street, London, SE1 OHL.

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 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 B67 of IFRS 3 Business Combinations. Equivalent disclosures are included in the consolidated financial statements of Playtech PLC in which the entity is consolidated;
- the requirements of paragraph 33 (c) of IFRS 5 Non current Assets Held for Sale and Discontinued Operations;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- 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 paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- 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 group accounts of Playtech PLC are available to the public and can be obtained as set out in note 21.

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).

GAMING TECHNOLOGY SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

(Continued)

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.

1.3 Revenue

Revenue comprises game royalties and platform fees invoiced to customers - net of VAT and other sales related taxes - based on monthly performance and development services provided to fellow group undertakings, and is recognised in line with the services provided.

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 (where the acquisition was pre-transition to FRS 101) and amortised over the estimated useful life.

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.

1.6 Goodwill

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less impairment losses.

The gain on a bargain purchase is recognised in profit or loss in the period of the acquisition.

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.

GAMING TECHNOLOGY SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

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. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Financial assets are initially measured at fair value plus transaction costs, other than those classified as fair value through profit and loss, which are measured at fair value.

Loans and receivables

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

Interest 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.

GAMING TECHNOLOGY SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

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

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, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

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.

GAMING TECHNOLOGY SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

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 is charged to the profit and loss account 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.

Rentals payable under operating leases, less any lease incentives received, are charged to income 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 lease 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.

1.18 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.

GAMING TECHNOLOGY SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

2 Revenue

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

	2017 £	2016 £
Turnover		
Software development	28,289,275	24,304,266
Royalties and platform fees	221,239	522,263
	<u>28,510,514</u>	<u>24,826,529</u>

Revenue analysed by geographical market

	2017 £	2016 £
European Union	<u>28,510,514</u>	<u>24,826,529</u>

3 Operating profit

	2017 £	2016 £
Operating profit for the year is stated after charging/(crediting):		
Exchange losses/(gains)	39,699	(65,857)
Fees payable to the company's auditor for the audit of the company's financial statements	36,050	15,178
Depreciation of property, plant and equipment	823,320	573,277
Share-based payments	<u>930,649</u>	<u>178,674</u>

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 (see note 10). On the same date the company subsequently also acquired the operations from these wholly owned subsidiaries, by way of an accounting hive up (and group reorganisation), as part of a group simplification process.

GAMING TECHNOLOGY SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

4 Employees

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

	2017 Number	2016 Number
Directors	2	2
Management	6	3
Operations	15	15
Marketing	41	41
Development	132	144
Administration	32	25
	<u>228</u>	<u>230</u>

Their aggregate remuneration comprised:

Employment costs	2017 £	2016 £
Wages and salaries	15,460,804	14,073,924
Social security costs	1,622,209	1,518,195
Pension costs	583,666	535,299
	<u>17,666,679</u>	<u>16,127,418</u>

GAMING TECHNOLOGY SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

5 Directors' remuneration

	2017 £	2016 £
Remuneration for qualifying services	435,116	271,512
Amounts receivable under long term incentive schemes	68,870	57,669
Company pension contributions to defined contribution schemes	24,536	20,124
	<u>528,522</u>	<u>349,305</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2016 - 2).

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

Remuneration for qualifying services	212,994	218,739
Amounts receivable under long term incentive schemes	44,736	37,115
Company pension contributions to defined contribution schemes	13,125	12,648
	<u>270,855</u>	<u>268,502</u>

6 Investment income

	2017 £	2016 £
Income from fixed asset investments		
Income from shares in group undertakings	6,157,617	1,189,491
	<u>6,157,617</u>	<u>1,189,491</u>

7 Income tax expense

	2017 £	2016 £
Corporation tax		
Current year	1,353,000	1,378,000
Adjustments in respect of prior periods	(330,000)	-
	<u>1,023,000</u>	<u>1,378,000</u>
Deferred tax		
Origination and reversal of temporary differences	112,026	(119,448)
	<u>1,135,026</u>	<u>1,258,552</u>

GAMING TECHNOLOGY SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

(Continued)

7 Income tax expense

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

	2017 £	2016 £
Profit before taxation on continued operations	11,123,071	3,382,968
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.25% (2016 - 20.00%)	2,141,191	676,594
Taxation impact of factors affecting tax charge:		
Income not taxable in determining taxable profit	(1,185,346)	(237,898)
Expenses not deductible in determining taxable profit	321,349	411,633
Impairment not deductible in determining taxable profit	164,164	344,567
Change in deferred tax assets	112,026	-
Adjustment in respect of prior years	(330,000)	-
Fixed asset timing differences	76,443	87,525
Other differences	(63,072)	(23,869)
Tax relief on share options	(101,729)	-
Total adjustments	(1,006,165)	581,958
Tax charge for the year	1,135,026	1,258,552

8 Intangible fixed assets

	Goodwill £	Intellectual property rights £	Trademarks £	Total £
Cost				
At 31 December 2016	-	3,500	12,930	16,430
Additions - purchased	13,986,800	-	-	13,986,800
At 31 December 2017	13,986,800	3,500	12,930	14,003,230
Amortisation/impairment				
At 31 December 2016	-	3,500	12,930	16,430
At 31 December 2017	-	3,500	12,930	16,430
Carrying amount				
At 31 December 2017	13,986,800	-	-	13,986,800

As a result of the hived up operations (as disclosed in note 10), purchased goodwill has been recognised on the Statement of Financial Position. This has been subject to an impairment review at the reporting date.

GAMING TECHNOLOGY SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

9 Property, plant and equipment

	Land and buildings leasehold	Fixtures, fittings & equipment	Computer equipment	Total
	£	£	£	£
Cost				
At 1 January 2017	1,977,411	662,837	2,609,691	5,249,939
Additions	15,693	56,577	1,052,807	1,125,077
Disposals	-	(2,655)	-	(2,655)
Transferred from group companies	910,229	416,536	1,018,817	2,345,582
At 31 December 2017	2,903,333	1,133,295	4,681,315	8,717,944
Accumulated depreciation and impairment				
At 1 January 2017	531,836	438,188	2,220,520	3,190,544
Charge for the year	261,891	91,172	470,257	823,320
Eliminated on disposal	-	(2,655)	-	(2,655)
Transferred from group companies	490,301	277,514	769,808	1,537,623
At 31 December 2017	1,284,028	804,219	3,460,585	5,548,832
Carrying amount				
At 31 December 2017	1,619,305	329,076	1,220,730	3,169,112
At 31 December 2016	1,445,575	224,649	389,171	2,059,395

GAMING TECHNOLOGY SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

10 Investments

Movements in non-current investments

	Shares in group undertakings £
Cost or valuation	
At 1 January 2017	-
Additions	14,839,600
At 31 December 2017	14,839,600
Impairment	
At 1 January 2017	-
Impairment losses	(852,800)
Transferred to goodwill	(13,986,800)
At 31 December 2017	(14,839,600)
Carrying amount	
At 31 December 2017	-
At 31 December 2016	-

The company purchased the entire share capital of Ash Gaming Ltd and Geneity Ltd for £3,439,600 and £11,400,000 respectively from a fellow group company on 31 December 2017. On the same day the trade and assets of the acquired entities have been hived up into the Company and the acquired entities will now be dormant. The investment cost has been assessed for impairment and the remaining balance has been reclassified as purchased goodwill (see note 8).

Included in the financial statements of the previous accounting period, are impairment losses of £2,127,125, following a review of the Company's investments in VS Gaming Limited and VS Technology Limited.

GAMING TECHNOLOGY SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

11 Subsidiaries

Details of the company's subsidiaries at 31 December 2017 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	See note 10
Geneity Ltd	England	100	100	See note 10

On 1 January 2016 the trading activities of V S Gaming Limited and VS Technology Limited were hived up to the Company.

As a result of supplementary hive-up operations on 31 December 2017, the trade, assets and liabilities of Ash Gaming Limited and Geneity Limited were similarly transferred.

The registered office of the above subsidiaries is the same as the Company.

12 Trade and other receivables

	2017 £	2016 £
Trade receivables	218,340	28,767
Other receivables	454,698	246,053
Deferred tax recoverable (see note 14)	37,672	119,448
Amount due from parent undertaking	7,402,495	1,767,580
Amounts due from fellow group undertakings	13,476,768	7,893,324
Prepayments	777,445	331,472
	<u>22,367,418</u>	<u>10,386,644</u>

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

GAMING TECHNOLOGY SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

13 Trade and other payables

	Current 2017 £	2016 £
Trade payables	132,219	87,651
Amount due to parent undertaking	17,812,244	2,853,877
Amounts due to fellow group undertakings	1,673,314	2,968
Accruals	1,798,518	768,552
Social security and other taxation	1,186,639	1,325,378
Corporation tax	1,451,136	1,163,053
Other payables	231,244	384,484
	<u>24,285,314</u>	<u>6,585,963</u>

Included in amounts due to the parent undertaking, is an intergroup loan in connection with the acquisition of Ash Gaming Limited and Geneity Limited. The loan is interest free and payable on demand.

14 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 £
Deferred tax asset at 1 January 2017	119,448
Deferred tax movements in current year	
Timing differences recognised in the income statement	(81,776)
Deferred tax asset at 31 December 2017	<u>37,672</u>

15 Retirement benefit schemes

Defined contribution schemes

The total costs charged to income in respect of defined contribution plans is £583,666 (2016 - £535,299). At the year-end, a balance of £125,299 was owed by the company (2016: £64,037).

GAMING TECHNOLOGY SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

16 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		Weighted average exercise price	
	2017	2016	2017 £	2016 £
Outstanding at 1 January 2017	186,777	14,722	9.15	4.16
Transferred from group companies	97,097	49,000	8.60	4.16
Granted	-	60,865	-	10.95
Granted	-	114,225	9.63	7.89
Exercised	-	(52,035)	-	4.16
Outstanding at 31 December 2017	<u>283,874</u>	<u>186,777</u>	<u>8.69</u>	<u>9.15</u>

The exercise price of options outstanding at the end of the year was £9.15 (2016 - £9.15) and their weighted average contractual life was 3 years (2016 - 3 years). Nil (2016 - 7,178) 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 £9.54 (2016 - £8.72), and £9.63 (2016 - £7.89) respectively.

The Company granted 102,944 Nil cost awards in the year (2016 - 175,090).

Total expenses of £930,649 related to equity settled share based payment transactions were recognised in the year. (2016 - £178,674).

17 Share capital	2017 £	2016 £
Ordinary share capital		
Authorised		
200,000,000 Ordinary shares of 5p each	<u>10,000,000</u>	<u>10,000,000</u>
Issued and fully paid		
45,000,093 Ordinary shares of 5p each	<u>2,250,005</u>	<u>2,250,005</u>

18 Contingent liabilities

The company together with its wholly owned subsidiaries, has given a guarantee in respect of bank borrowings which amounted to £30,000 at 31 December 2017 (2016: £30,000).

GAMING TECHNOLOGY SOLUTIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

19 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:

	2017 £	2016 £
Minimum lease payments under operating leases	1,311,952	904,148

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	
	2017 £	2016 £
Within one year	1,013,812	396,705
Between two and five years	3,488,624	1,415,986
In over five years	-	173,352
	4,502,436	1,986,043

20 Events after the reporting date

Post period end, the company signed a lease on a new office in High Holborn, London and all existing Playtech offices in London will be consolidated here. The lease term is 8 years, with a break clause in 2020.

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.