

# IGT-UK Gaming Limited

Company Registration No. 4562679

## Annual Report and Financial Statements Year ended 31 December 2016

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**IGT- UK GAMING LIMITED**  
Company Registration No. 4562679

## **ANNUAL REPORT AND FINANCIAL STATEMENTS 2016**

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**IGT- UK GAMING LIMITED**  
Company Registration No. 4562679

## **OFFICERS AND PROFESSIONAL ADVISORS**

### **DIRECTORS**

Antony Lavaz Watson  
Robert Andrew Jones  
Matthew William Hughes (date of appointment 1 March 2017)

### **REGISTERED OFFICE**

Quay West Trafford Wharf Road  
Trafford Park  
Manchester  
M17 1HH

### **BANKERS**

National Westminster Bank PLC  
Ashton House  
Waterloo Street  
Bolton  
BL8 8HG

### **SOLICITORS**

Macfarlanes LLP  
20 Curistor Street  
London  
EC4A 1LT

### **INDEPENDENT AUDITORS**

PricewaterhouseCoopers LLP  
101 Barbirolli Square,  
Lower Mosley Street,  
Manchester, M2 3PW

## STRATEGIC REPORT

For the year ended 31<sup>st</sup> December 2016

### Financial year

The financial statements are prepared for the year ended 31 December 2016.

### Principal Activities

The principal activity of the company is the sale, lease and maintenance of gaming machines.

### Review of the business and future developments

The company operates in the UK with its customer base being entirely in the UK. The customers include Casino operators in the UK who primarily lease machines and the games on it from the company for which daily lease fees are charged. The company has a good brand name in the UK market and a historical lease install base. With the current install base the company has a stable outlook. The company expects to maintain its market share in the near future.

The financial year ended on 31 December 2016 showed a loss before taxation for the financial year of £4.58 million compared to £2.06 million loss before taxation for the financial period 2015.

Total revenue in financial year 2016 was £6.31 million, which is £2.74 million lower than 2015. The decrease in revenue is mainly due to extended financial period in 2015 by 3 months. Cost of sales was £2.90 million in the current financial year 2016 compared with £5.3 million the extended financial period in 2015.

Based on financial review performed, the Directors have concluded that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

The Directors consider that the company is well placed and remain confident about the company's prospects for the next year and beyond.

### Principal risks and uncertainties

The company operates in a regulated gaming environment and any change in laws related to gaming can have an effect on the company's business.

### Financial risk management

The company's operations expose it to a variety of financial risks that include foreign exchange rate risk and credit risk.

Foreign exchange rate risk arises from transactions when goods and services are bought or sold in currencies other than Sterling.

The effects of credit risk are controlled as the company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed by the management. The management receives regular reports on amounts due and amounts significantly overdue and the relevant action taken.

## STRATEGIC REPORT (CONTINUED)

For the year ended 31 December 2016


### Financial risk management (continued)

As an ultimate subsidiary of International Gaming Technology PLC (IGT PLC), further details of Group policies in relation to external financial risks, can be found in the Annual Report and Financial Statements of IGT PLC. The consolidated financial statements of IGT PLC. are available at 66 Seymour Street, 2nd Floor London W1H 5BT United Kingdom.

### Key performance indicators

Given the straightforward nature of the business, the Company's key performing indicators are turnover and gross profit. For the financial year 2016 the turnover £ 6.3 million (2015: £ 9.05 million) and gross profit is £ 3.4 million (2015: £ 3.7 million).

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



Name : Matthew William Hughes  
Date : 28 September 2017

## **DIRECTORS' REPORT**

For the year ended 31 December 2016

The directors are pleased to submit the annual report and audited financial statements for the year ended 31 December, 2016.

### **Going Concern**

The company has long-term contracts with other group companies and customers which continue to perform well, together with a written pledge of support from its ultimate parent company, International Game Technology PLC (IGT PLC). As a consequence, the directors believe that the Company is well placed to manage its business risks successfully despite the uncertain economic outlook.

The Directors believe that it is appropriate for the financial statements to be prepared on the going concern basis having received a letter of support from the ultimate parent undertaking, International Game Technology PLC, which indicates that it will continue to provide sufficient funds to enable the company to meet all of its financial obligations as they fall due, a period of at least 12 months from the date of signing the financial statements.

### **Directors**

Directors of the company who were in the office during the year and up to the date of signing the financial statements were;

Antony Lavaz Watson	
Robert Andrew Jones	
Matthew William Hughes	(date of appointment 1 March, 2017)
Anuj Bhatnagar (director and secretary)	(date of resignation 1 March 2017)

### **Dividends**

No dividends were declared during the year under review. The losses were transferred to the reserves.

### **Future developments**

An indication of the likely future developments of the business is included in the Strategic Report on page 4.

### **Financial risk management**

Financial risk management is described in the Strategic Report on page 4 and 5.

### **Disclosure of information to Auditors**

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

- so far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the company's auditors are unaware; and

**DIRECTORS' REPORT (continued)**

For the year ended 31 December 2016

- each of the Directors has taken all the steps that he or she ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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

**INDEPENDENT AUDITORS**

PricewaterhouseCoopers LLP have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

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



Name: Matthew William Hughes

Date :28 September 2017

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

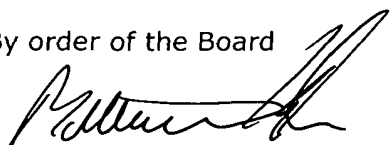
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

The directors 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.

By order of the Board



Name: Matthew William Hughes  
Director  
Date: 28 September 2017



## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IGT-UK GAMING LIMITED**

### **Report on the financial statements**

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#### **Our opinion**

In our opinion, IGT-UK Gaming Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its loss 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.

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#### **What we have audited**

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Statement of Financial Position as at 31 December 2016;
- the Statement of Income and Retained Earnings for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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### **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 addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IGT-UK GAMING LIMITED (continued)**

### **Other matters on which we are required to report by exception**

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#### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

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#### **Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

### **Responsibilities for the financial statements and the audit**

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#### **Our responsibilities and those of the directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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#### **What an audit of financial statements involves**

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.



IGT- UK GAMING LIMITED  
Company Registration No. 4562679

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IGT-UK GAMING LIMITED (continued)**

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### **What an audit of financial statements involves**

We primarily focus our work in these areas by assessing the directors' judgments against available evidence, forming our own judgments, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Gregory Briggs (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Manchester  
29 September 2017

## STATEMENT OF INCOME AND RETAINED EARNINGS

FOR THE YEAR ENDED 31 DECEMBER 2016

		Year ended 31 December 2016 £'000	15 month period ended 31 December 2015 £'000
	Note(s)		
TURNOVER	5	6,312	9,056
Cost of sales		(2,905)	(5,277)
<b>GROSS PROFIT</b>		<b>3,407</b>	<b>3,779</b>
Administrative expenses			
- Administrative expenses		(7,966)	(9,944)
- Expenses recharged to parent undertaking		-	3,751
Administrative expenses – total		(7,966)	(6,193)
<b>OPERATING LOSS</b>	6	<b>(4,559)</b>	<b>(2,414)</b>
Interest expense and similar charges	8	(17)	359
<b>LOSS BEFORE TAXATION</b>		<b>(4,576)</b>	<b>(2,055)</b>
Tax on loss	9	730	521
<b>LOSS FOR THE FINANCIAL PERIOD</b>		<b>(3,846)</b>	<b>(1,534)</b>
Retained earnings as at beginning of period		3,198	4,732
<b>ACCUMULATED (LOSSES)/PROFITS</b>		<b>(648)</b>	<b>3,198</b>

All the results derive from continuing operations.


The notes on page 14 to 30 form part of these financial statements.

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2016**

	Note	<b>31 December 2016 £'000</b>	31 December 2015 £'000
<b>FIXED ASSETS</b>			
Tangible Assets	10	3,737	2,449
		<u>3,737</u>	<u>2,449</u>
<b>CURRENT ASSETS</b>			
Stocks	11	99	33
Debtors	12	16,140	16,293
Cash at Bank and in Hand		877	648
		<u>17,116</u>	<u>16,974</u>
CREDITORS: Amount falling due within one year	13	(21,335)	(15,899)
		<u>(4,219)</u>	<u>1,075</u>
<b>NET CURRENT (LIABILITIES)/ASSETS</b>			
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		(482)	3,524
CREDITORS : Amounts falling due after more than one year	14	(166)	(326)
		<u>(648)</u>	<u>3,198</u>
<b>NET (LIABILITIES)/ASSETS</b>			
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	-	-
(Accumulated losses)/Retained earnings		(648)	3,198
<b>TOTAL SHAREHOLDERS' (DEFICIT)/FUNDS</b>		<u>(648)</u>	<u>3,198</u>

The notes on pages 14 to 30 form part of these financial statements.

The financial statements on page 12 to 30 were approved by the board of directors on 28 September 2017 and signed on its behalf by:

  
Director: Matthew William Hughes  
Date : 28 September 2017

## Notes to the Financial Statements for the year ended 31 December 2016

### 1. GENERAL INFORMATION

The principal activity of the company is the sale, lease and maintenance of gaming machines.

IGT-UK Gaming Limited (the "Company") is a private company limited by shares, and is incorporated in the United Kingdom. The address of its registered office is Quay West Trafford Wharf Road, Trafford Park, Manchester M17 1HH.

### 2. STATEMENT OF COMPLIANCE

The individual financial statements of IGT-UK Gaming Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### Basis of preparation

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance applicable United Kingdom accounting standards and the Companies Act 2006 and applicable accounting standards in the United Kingdom including FRS 102 on a basis consistent with the prior year. This is the first year in which the financial statements have been prepared under FRS 102. The date of transition to FRS 102 was 28 September 2014. Details of the transition to FRS 102 are disclosed in note 19.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in 'Critical accounting judgements and key source of estimation uncertainty' note.

#### Going concern

The financial statements have been prepared on the going concern basis, which assumes that the company will continue in operational existence for the foreseeable future. The Directors believe that it is appropriate for the financial statements to be prepared on the going concern basis having received a letter of support from the ultimate parent undertaking, International Game Technology PLC, which indicates that it will continue to provide sufficient funds to enable the company to meet all of its financial obligations as they fall due for a period of at least 12 months from the date of signing the financial statements.

## Notes to the Financial Statements for the year ended 31 December 2016 (continued)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, if certain conditions, have been complied with, including notification of and no objection to, the use of exemptions by the company's shareholders. A qualifying entity is defined as a member of a Group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. The company is a qualifying entity as its results are consolidated into the financial statements of IGT, which are publicly available.

As a qualifying entity, the company has taken advantage of the following exemptions in its separate financial statements:

- i) from the requirement to prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102;
- ii) from the requirement to present certain financial instrument disclosures, as required by sections 11 and 12 of FRS 102;
- iii) from the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4.12(a)(iv) of FRS 102; and
- iv) from the requirement to disclose the key management personnel compensation in total as required by paragraph 33.7 of FRS 102.

#### Foreign currency

##### *i) Functional and presentation currency*

The company's functional and presentational currency is the pound sterling, rounded off to nearest thousands.

##### *ii) Transactions and balances*

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

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

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income and retained earnings.

**Notes to the Financial Statements for the year ended 31 December 2016 (continued)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Turnover**

Turnover represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and value added tax. Turnover is recognised on delivery of goods and services to customers, recognised on an accruals basis. Rental receivable for assets leased under operating leases is recognised on a straight line basis for the duration of the lease.

**Employee benefits**

The company provides a range of benefits to employees, including paid holiday arrangement and defined contribution pension plans.

*i) Short term benefits*

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

*ii) Defined contribution pension scheme*

IGT-UK Group Limited operates a defined contribution pension scheme (formerly known as the Barcrest Group Limited scheme and changed by deed to the IGT-UK Group Limited scheme on 1 January 2010). Employees of IGT-UK Gaming Limited are eligible to join this pension scheme. The cost of providing pensions is charged to the statement of income and retained earnings as incurred. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

**Taxation**

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the statement of income and retained earnings, except to the extent that it relates to items recognised directly in equity. In this case tax is also recognised directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

*i) Current tax*

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

*ii) Deferred tax*

Deferred tax arises from timing differences that are differences between taxable profits and total income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.



**Notes to the Financial Statements for the year ended 31 December 2016 (continued)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Taxation (continued)***ii) Deferred tax (continued)*

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when 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 tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

**Tangible assets**

Tangible assets are stated at cost, net of accumulated depreciation and accumulated impairment losses

Depreciation is provided on cost in equal instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Leasehold improvements	10% - 20% per annum
Gaming machines	20% - 33% per annum

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Repairs, maintenance and minor inspection costs are expensed as incurred.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the statement of income and retained earnings.

**Leased assets**

At inception the company assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

*a) Company as a lessor**i) Operating leased assets*

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

## Notes to the Financial Statements for the year ended 31 December 2016 (continued)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *b) Company as a lessee*

##### *i) Operating leased assets*

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Operating lease rentals are charged to the statement of income and retained earnings on a straight line basis over the period of the lease.

The Administrative expenses include £ 133 thousand towards rental of office space and leased vehicles.

##### *ii) Lease incentives*

Incentives received to enter into an operating lease are credited to the statement of income and retained earnings, to reduce the lease expense, on a straight-line basis over the period of the lease.

The company has taken advantage of the exemption under paragraph 35.10(p) of FRS 102 in respect of lease incentives on leases in existence on the date of transition to FRS 102 (28 September 2014) and continues to credit such lease incentives to the statement of income and retained earnings over the period to the first review date on which the rent is adjusted to market rates.

#### **Impairment of non-financial assets**

At each reporting date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future pre-tax and interest cash flows obtainable as a result of the asset's continued use. The pre-tax and interest cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the statement of income and retained earnings. Thereafter any excess is recognised in the statement of income and retained earnings.

If an impairment loss is subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior

## Notes to the Financial Statements for the year ended 31 December 2016 (continued)

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

periods. A reversal of an impairment loss is recognised in the statement of income and retained earnings.

#### **Stocks**

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Stocks are recognised as an expense in the period in which the related revenue is recognised.

Cost is determined on the first-in, first-out (FIFO) method. Cost includes materials, direct labour and production overheads appropriate to the relevant stage of production. Estimated selling price less costs to complete and sell is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

At the end of each reporting period stocks are assessed for impairment. If an item of stock is impaired, the identified stock is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the statement of income and retained earnings.

#### **Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts.

#### **Financial Instruments**

The company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

##### *i) Financial assets*

Basic financial assets, including trade debtors, amount owed by group undertakings and cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in statement of income and retained earnings.

## Notes to the Financial Statements for the year ended 31 December 2016 (continued)

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Financial Instruments (continued)

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in statement of income and retained earnings.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

#### *ii) Financial liabilities*

Basic financial liabilities, including trade creditors and amounts owed to group undertakings, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method. Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

The Company does not hold or issue derivatives financial instruments.

#### *iii) Offsetting*

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

**Notes to the Financial Statements for the year ended 31 December 2016 (continued)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Related party transactions**

The company has taken advantage of the exemption contained in paragraph 33.1A of FRS 102 "related party transactions" for wholly owned subsidiaries not to disclose transactions with entities that are part of the group qualifying as related parties.

**4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTY**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

*i) Useful economic lives of tangible fixed assets (section 17 and 18)*

The annual depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 10 for the carrying amount of the tangible fixed assets, and accounting policy for the useful economic lives for each class of assets.

## **Notes to the Financial Statements for the year ended 31 December 2016 (continued)**

### **5. TURNOVER**

#### **Analysis of turnover by geography:**

	<b>Year ended 31 December 2016 £'000</b>	<b>15 month period ended 31 December 2015 £'000</b>
Turnover by destination		
United Kingdom	6,312	9,056
	<b>6,312</b>	<b>9,056</b>

#### **Analysis of turnover by category:**

	<b>Year ended 31 December 2016 £'000</b>	<b>15 month period ended 31 December 2015 £'000</b>
Sale of goods	176	910
Rendering of services – Maintenance of gaming machine	1,099	903
Rental income	5,037	7,243
	<b>6,312</b>	<b>9,056</b>

### **6. OPERATING LOSS**

	<b>Year ended 31 December 2016 £'000</b>	<b>15 month period ended 31 December 2015 £'000</b>
Operating loss is stated after (crediting)/charging:		
Depreciation of tangible fixed assets	1,958	3,279
Amortisation of intangible assets	-	119
Rentals payable under operating leases	133	149
Services provided by company's auditors:		
Fees payable for the audit	35	26
Fees payable for other services – tax compliance	26	32

## Notes to the Financial Statements for the year ended 31 December 2016 (continued)

### 7. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	Year ended 31 December 2016 £'000	15 month period ended 31 December 2015 £'000
<b>Staff costs during the year (including directors)</b>		
Wages and salaries	2,000	4,474
Social security costs	369	925
Other pension costs	116	185
	<b>2,485</b>	<b>5,585</b>

	Year ended 31 December 2016 £'000 No	15 month period ended 31 December 2015 £'000 No
<b>Average number of persons employed (including directors)</b>		
Sales and distribution	5	28
Administration	33	18
	<b>38</b>	<b>46</b>

The directors are remunerated by other companies in the IGT PLC group and received no remuneration for qualifying services to IGT-UK Gaming Limited during the year (2015: £nil).

### 8. INTEREST EXPENSE AND SIMILAR CHARGES

	Year ended 31 December 2016 £'000	15 month period ended 31 December 2015 £'000
Other operating income	(1)	373
Interest expense - other	(16)	(14)
	<b>(17)</b>	<b>359</b>

## Notes to the Financial Statements for the year ended 31 December 2016 (continued)

### 9. TAX ON LOSS

	Year ended 31 December 2016 £'000	15 month period ended 31 December 2015 £'000
<b>Current tax</b>		
UK corporation tax	-	-
Adjustments in respect of prior period	(11)	(475)
<b>Total current tax</b>	(11)	(475)
<b>Deferred tax</b>		
Origination and reversal of timing differences	(790)	(117)
Adjustment in respect of prior periods	(95)	(14)
Changes in tax rates or laws	166	85
<b>Total deferred tax</b>	(720)	(46)
<b>Total tax credit on loss</b>	(730)	(521)



## Notes to the Financial Statements for the year ended 31 December 2016 (continued)

### 9. TAX ON LOSS (CONTINUED)

Tax assessed for the year is lower at £730k (2015: higher at £521k) than the standard rate of corporation tax in UK for the year ended 31 December 2016 of 20% (2015: 20.40%). The differences are explained below:

	Year ended 31 December 2016 £'000	15 month period ended 31 December 2015 £'000
Loss before taxation	(4,576)	(2,055)
Loss before taxation at standard UK tax rate of 20%(2015:20.40%)	(915)	(419)
Expenses not deductible for tax purposes	15	93
Utilisation of tax losses	-	346
Adjustment to tax change in respect of previous periods	(105)	(489)
Share option timing differences	-	(260)
Tax rate changes	166	85
Group relief not paid for	109	125
Loss carried back	-	346
Total tax charge/(credit) for the year/period	(730)	(521)

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

## Notes to the Financial Statements for the year ended 31 December 2016 (continued)

### 10. TANGIBLE ASSETS

	Leasehold improvements £'000	Gaming Machines £'000	Total £'000
<b>Cost</b>			
At 31 December 2015	704	12,676	13,380
Additions	-	3,279	3,279
Disposals	-	(1,867)	(1,867)
<b>At 31 December 2016</b>	<b>704</b>	<b>14,088</b>	<b>14,792</b>
<b>Accumulated Depreciation</b>			
At 31 December 2015	213	10,718	10,931
Charge for the year	81	1,877	1,958
Disposal	-	(1,834)	(1,834)
<b>At 31 December 2016</b>	<b>294</b>	<b>10,761</b>	<b>11,055</b>
<b>Net Book Value</b>			
<b>At 31 December 2016</b>	<b>410</b>	<b>3,327</b>	<b>3,737</b>
At 31 December 2015	491	1,958	2,449

### 11. STOCKS

	31 December 2016 £'000	31 December 2015 £'000
Spare Parts	40	15
Finished Goods	59	18
	<b>99</b>	<b>33</b>

The amount of stocks recognised as an expense during the year was £nil (2015: £nil).

There is no material difference between the statement of financial position value of stocks and their replacement costs.

## Notes to the Financial Statements for the year ended 31 December 2016 (continued)

### 12. DEBTORS

	<b>31 December 2016 £'000</b>	31 December 2015 £'000
Trade debtors	1,030	1,027
Prepayments and accrued income	510	709
Amounts owed by group undertakings	12,597	13,576
Taxes receivables	512	14
UK corporation tax	26	222
Deferred tax (note 16)	1465	745
	<u>16,140</u>	<u>16,293</u>

Amount owed by the group undertakings are unsecured, repayable on demand and interest free.

### 13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	<b>31 December 2016 £'000</b>	31 December 2015 £'000
Trade creditors	124	86
Amount owed to group undertakings	20,212	14,457
VAT payable	244	264
Other taxation and social security	206	141
Accruals and deferred income	549	951
	<u>21,335</u>	<u>15,899</u>

Amounts owed to group undertakings are unsecured, repayable on demand and interest free.

## Notes to the Financial Statements for the year ended 31 December 2016 (continued)

### 14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31 December 2016 £'000	31 December 2015 £'000
Accruals and deferred income	166	326

### 15. CALLED UP SHARE CAPITAL

	31 December 2016	31 December 2015 £'000
<b>Allotted, issued and fully paid</b>		
100 (2015:100) ordinary shares of £1 each	100	100

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends and the repayment of capital.

### 16. DEFERRED TAX ASSET

The composition of the deferred tax asset is shown below.

	£'000
At 31 December 2015	745
Deferred tax in statement of income and retained earnings for the year	625
Adjustment in respect of prior years	95
At 31 December 2016	1,465

## Notes to the Financial Statements for the year ended 31 December 2016 (continued)

### 16. DEFERRED TAX ASSET (CONTINUED)

The deferred tax asset is classified within debtors

	<b>31 December 2016 £'000</b>	31 December 2015 £'000
Accelerated capital allowances	745	699
STTDs – Trading	95	14
Losses	625	32
	<u>1,465</u>	<u>745</u>

Deferred tax assets are valued using the tax rates substantively enacted at the year end and are recognised to the extent that the future taxable profits will be available against which the temporary differences, including tax losses carried forward, can be utilized.

### 17. FINANCIAL COMMITMENTS

At 31 December 2016, the Company had the following future minimum lease payments/receivables under non-cancellable operating leases for each of the following periods:

<b>Payments due</b>	<b>Year ended 31 December 2016 £'000</b>	Year ended 31 December 2015 £'000
Operating lease commitments which expire:		
Not later than one year	170	-
Later than one year and not later than five years	680	137
Later than five years	255	-
	<u>1,105</u>	<u>137</u>

## Notes to the Financial Statements for the year ended 31 December 2016 (continued)

Receipts due	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Amounts recoverable under operating leases:		
Not later than one year	12	12
Later than one year and not later than five years	-	-
Later than five years	-	-
	<u>12</u>	<u>12</u>

### 18. ULTIMATE PARENT COMPANY AND RELATED PARTY TRANSACTIONS

As of 7 April 2015, the company became a wholly owned subsidiary of International Game Technology PLC ("IGT PLC"). IGT-UK Group Limited is the immediate parent undertaking.

The parent undertaking of the smallest and largest group, which includes the company and for which consolidated financial statements were prepared, was IGT.

The company's financial statements are included in the consolidated financial statements of IGT PLC and are available on the IGT PLC website. Therefore, in accordance with the exemption allowed by paragraph 33.1A of FRS 102 'Related party disclosure', the company is not required to disclose transactions with qualifying related parties that are part of the same group. Copies of the financial statements of International Game Technology PLC can be obtained from The Chief Financial Officer, International Game Technology Inc., Rhode Island Providence10memorialBlvd.Providence, RI 02903.

### 19. TRANSITION TO FRS 102

This is the first year that the Company has presented its results under FRS 102. The last financial statements under previous UK GAAP were for the financial period ended 31 December 2015. The date of transition to FRS 102 was 28 September 2014. Set out below are the changes in accounting policies which reconcile loss for the financial period ended 31 December 2015 and the total equity as at 27 September 2014 and 31 December 2015 between UK GAAP as previously reported and FRS 102.