

IGT-UK Gaming Limited

Company Registration No. 04562679

Annual Report and Financial Statements Year ended 31 December 2018

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IGT- UK GAMING LIMITED
Company Registration No. 4562679

ANNUAL REPORT AND FINANCIAL STATEMENTS 2018

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IGT- UK GAMING LIMITED
Company Registration No. 4562679

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

Antony Lavaz Watson
Paul Mears
Matthew William Hughes

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M17 1HH

BANKERS

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SOLICITORS

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INDEPENDENT AUDITORS

BDO LLP
55 Baker Street
London
W1U 7EU
United Kingdom



IGT- UK GAMING LIMITED
Company Registration No. 4562679

STRATEGIC REPORT

For the year ended 31st December 2018

Financial year

The financial statements are prepared for the year ended 31 December 2018.

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 also generates revenues from the sale of machines, spare parts and recurring maintenance fee contracts. The company has a good brand name in the UK market and a strong base of previously installed machines. The company expects to maintain its market share in the near future.

The financial year ended 31 December 2018 showed a loss before taxation for the financial year of £3.1 million compared to a £2.8 million loss before taxation for the financial period 2017. The loss generated by the company in the current and prior year is mainly due to the difficult market conditions which the company faces within the gaming industry. The company also had increased operating costs and bad debt reserves in the current year.

Total revenue in financial year 2018 was £8.6 million compared to £6.5 million in 2017. Cost of sales was £5.5 million in the current financial year 2018 compared with £4.3 million in 2017.

Based on the financial review performed and the letter of support which IGT UK Gaming Limited has received from International Game Technology PLC, the Directors have concluded that the company has adequate resources and support from its ultimate parent company International Game Technology PLC 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 have considered the strategic business model of the company and are optimistic about the company's prospects for the future as they have made changes to the company's transfer pricing model from 1 January 2019 which will result in a reduced cost base for the company, while revenues will remain unaffected.

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.

Potential impact of Brexit

Gaming machines sold or leased by UK Gaming are currently purchased from IGT Europe BV (based in the Netherlands) using a transfer pricing model determined by IGT corporate.

STRATEGIC REPORT (CONTINUED)

The transfer pricing itself will not be impacted by Brexit as it is based on OECD guidelines for determining the arm's length transfer price. However, as the sales from IGT Europe BV will no longer be considered to be within the EU, the machines will have to be imported into the UK and this could lead to a change in import duty charges and the VAT rate.

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 Pound Sterling.

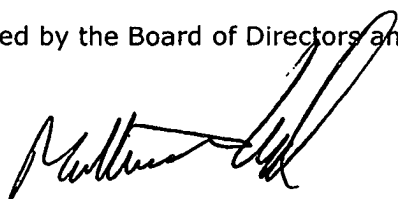
The effects of credit risk are controlled as the company has implemented policies that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed periodically by management.

IGT-UK Gaming Limited is a wholly owned subsidiary of IGT-UK Group Limited (immediate parent). IGT-UK Group Limited is a wholly owned subsidiary of International Gaming Technology PLC ("IGT PLC") (intermediate parent). 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 and on the IGT PLC website.

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 2018 the turnover is £8.6 million (2017: £6.5 million) and gross profit is £3.1 million (2017: £2.2 million).

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



Director: Matthew William Hughes
Date: 4 November 2019



IGT- UK GAMING LIMITED
Company Registration No. 4562679

DIRECTORS' REPORT

For the year ended 31 December 2018

The directors are pleased to submit the annual report and audited financial statements for the year ended 31 December 2018.

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
Paul Mears
Matthew William Hughes

Dividends

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

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



IGT- UK GAMING LIMITED
Company Registration No. 4562679

DIRECTORS' REPORT (continued)

For the year ended 31 December 2018

Disclosure of information to Auditors (continued)

- each of the Directors has taken all the steps that he or she ought to have taken as a Director to make himself or herself 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

BDO 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

A handwritten signature in black ink, appearing to read "Matthew Hughes", written over a horizontal line.

Director: Matthew William Hughes
Date: 4 November 2019

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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

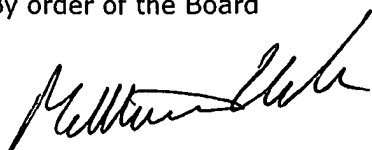
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

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

By order of the Board



Director: Matthew William Hughes
Date: 4 November 2019



IGT- UK GAMING LIMITED
Company Registration No. 4562679

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF IGT-UK GAMING LIMITED

Opinion

We have audited the financial statements of IGT-UK Gaming Limited ("the Company") for the year ended 31 December 2018 which comprise statement of income and accumulated deficit, statement of financial position and the 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 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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



IGT- UK GAMING LIMITED
Company Registration No. 4562679

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, 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:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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

BDO LLP

Ed Green Wilkinson (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
4 November 2019

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



IGT- UK GAMING LIMITED
Company Registration No. 4562679

STATEMENT OF INCOME AND ACCUMULATED DEFICIT

FOR THE YEAR ENDED 31 DECEMBER 2018

		Year ended 31 December 2018 £'000	Restated Year ended 31 December 2017 £'000
	Note(s)		
Turnover	6	8,594	6,461
Cost of sales		<u>(5,522)</u>	<u>(4,280)</u>
GROSS PROFIT		3,072	2,181
Administrative expenses		<u>(6,087)</u>	<u>(4,990)</u>
OPERATING LOSS	7	(3,015)	(2,809)
Interest receivable and similar income	9	-	66
Interest payable and similar expenses	9	<u>(38)</u>	<u>(20)</u>
LOSS BEFORE TAXATION		(3,053)	(2,763)
Tax on loss	10	587	(124)
LOSS AFTER TAXATION		<u>(2,466)</u>	<u>(2,887)</u>
Accumulated deficit as at beginning of year (as previously stated)		<u>(3,944)</u>	<u>(648)</u>
Prior year adjustments (note 3)		<u>(1,056)</u>	<u>(1,465)</u>
Accumulated deficit as at beginning of year (as restated)		<u>(5,000)</u>	<u>(2,113)</u>
ACCUMULATED DEFICIT AS AT 31 DECEMBER		<u>(7,466)</u>	<u>(5,000)</u>

All the results are derived from continuing operations.

The notes on page 14 to 28 form part of these financial statements.



IGT- UK GAMING LIMITED
Company Registration No. 4562679

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note(s)	31 December 2018 £'000	Restated 31 December 2017 £'000
FIXED ASSETS			
Tangible assets	11	4,154	3,525
		<u>4,154</u>	<u>3,525</u>
CURRENT ASSETS			
Stocks	12	40	59
Debtors	13	19,638	19,083
Cash at bank and on hand		-	527
		<u>19,678</u>	<u>19,669</u>
Creditors: amounts falling due within one year	14	(31,278)	(28,102)
NET CURRENT LIABILITIES		<u>(11,600)</u>	<u>(8,433)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(7,446)</u>	<u>(4,908)</u>
Creditors: amounts falling due after one year	15	(20)	(92)
NET LIABILITIES		<u>(7,466)</u>	<u>(5,000)</u>
CAPITAL AND RESERVES			
Called up share capital	16	-	-
Accumulated deficit		(7,466)	(5,000)
TOTAL SHAREHOLDERS' DEFICIT		<u>(7,466)</u>	<u>(5,000)</u>

The notes on pages 14 to 28 form part of these financial statements.

The financial statements were approved and authorised for issue by the board of directors on 4 November 2019 and signed on its behalf by:

Director: Matthew William Hughes
Date: 4 November 2019

Notes to the Financial Statements for the year ended 31 December 2018 (continued)

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. MATERIAL PRIOR PERIOD ERRORS

In 2018 management identified an error in the 2017 financial statements which resulted in administrative expenses being overstated by £0.6 million. Profit before tax and intercompany trade receivables, were therefore understated by £0.6 million. This resulted in the Company's Net Asset Value being understated by £0.6 million in 2017.

The error related to costs incurred for a trade show in 2017 that were not recharged to the appropriate group company until the 2018 financial year. As the error is considered material, retained earnings at the end of 2017 and the opening balance of the 2018 retained earnings have been restated. Comparative figures for intercompany receivables, administrative expenses and profit before tax have also been restated for the effect of the prior period error resulting in a £0.6 million increase in intercompany receivables and profit before tax and £0.6 million decrease in administrative expenses in 2017.

In 2018, management identified an error in the 2017 financial statements as the prior year Deferred Tax Asset of £1.6 million was recognised in error. The error resulted in the Company's 2017 closing reserves and Net Asset Value being overstated by £1.6 million. The Deferred Tax Asset was therefore restated and reduced by £1.6 million in 2017. As £1.4 million of the write off relates to the Deferred Tax Asset of 2016, the adjustment for this has been taken into account against opening Retained Earnings in 2017. The remaining write off of £0.2 million has been accounted for through the 2017 tax expense.

4. 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

**Notes to the Financial Statements for the year ended
31 December 2018 (continued)****4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

the Companies Act 2006 and applicable accounting standards in the United Kingdom including FRS 102 on a basis consistent with the prior year.

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.

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 PLC, 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.

Notes to the Financial Statements for the year ended 31 December 2018 (continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currency

i) Functional and presentation currency

The company's functional and presentational currency is the Pound Sterling, rounded off to nearest thousand.

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 accumulated deficit.

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 on an accruals basis. Rental receivable for assets leased under operating leases is recognised on a straight line basis over 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 accumulated deficit 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 accumulated deficit, except to the extent that it relates to items recognised directly in equity. In this case tax is also recognised directly in equity respectively.

**Notes to the Financial Statements for the year ended
31 December 2018 (continued)****4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

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 accumulated deficit.

**Notes to the Financial Statements for the year ended
31 December 2018 (continued)****4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****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.

*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 accumulated deficit on a straight line basis over the period of the lease.

Administrative expenses include £ 0.22m (2017: £ 0.15m) relating to rental of office space and leased vehicles.

ii) Lease incentives

Incentives received to enter into an operating lease are initially capitalised and subsequently credited to the statement of income and accumulated deficit, 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 accumulated deficit 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.

**Notes to the Financial Statements for the year ended
31 December 2018 (continued)****4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 accumulated deficit. Thereafter any excess is recognised in the statement of income and accumulated deficit.

If an impairment loss is subsequently reversed, 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 periods. A reversal of an impairment loss is recognised in the statement of income and accumulated deficit.

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 accumulated deficit.

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.

Notes to the Financial Statements for the year ended 31 December 2018 (continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 accumulated deficit.

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 accumulated deficit.

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 2018 (continued)

4. 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.

5. 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

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 11 for the carrying amount of the tangible fixed assets, and accounting policy for the useful economic lives for each class of asset.

ii) Utilisation of deferred tax losses

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 assets are valued using the tax rates substantively enacted at the year end and are recognised to the extent that the future taxable profits within the tax group will be available against which the temporary differences can be utilised.

iii) Tax Receivable

In 2014 IGT-UK Gaming Limited made substantial profits which resulted in a tax liability of £0.7 mil payable per the original 2014 tax computation which was submitted to HMRC. The submitted tax computation for 2015 shows a loss carry back of £1.7 mil which changes IGT-UK Gaming Limited's tax position to a tax receivable of £0.4 mil.

Notes to the Financial Statements for the year ended 31 December 2018 (continued)

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTY (continued)

IGT-UK Gaming Limited has disclosed the £0.4 mil tax receivable in Note 13 Debtors but the amendment has not yet been corrected by HMRC. Management has therefore brought this matter to the attention of HMRC so that the required tax amendment can be updated in their records and the tax receivable can be settled. Whilst management expect the tax receivable to be fully recovered, judgement has been applied given the length of time since the amount was first claimed.

6. TURNOVER

Analysis of turnover by geography:

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Turnover by destination		
United Kingdom	8,594	6,461
	<u>8,594</u>	<u>6,461</u>

Analysis of turnover by category:

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Sale of goods	1,799	1,090
Rendering of services – Maintenance of gaming machine	830	454
Rendering of services – Service income	1,242	-
Lease income	4,723	4,917
	<u>8,594</u>	<u>6,461</u>

Notes to the Financial Statements for the year ended 31 December 2018 (continued)

7. OPERATING LOSS

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Operating loss is stated after (crediting)/charging:		
Depreciation of tangible fixed assets	2,140	1,861
Rentals payable under operating leases	223	150
(Profit) / Loss on disposal of fixed assets	(134)	14
Fees payable for other services – PWC tax compliance	5	5
Services provided by company's auditors:		
Fees payable for the audit	15	39
Fees payable for other services – tax compliance	-	5

8. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Staff costs during the year		
Wages and salaries	3,231	2,749
Social security costs	316	318
Other pension costs	139	92
	3,686	3,159

Average number of persons employed (including directors)

	Year ended 31 December 2018 No	Year ended 31 December 2017 No
Sales and distribution	7	7
Administration	37	38
	44	45

The directors are remunerated by other companies in the IGT PLC group and received no remuneration for qualifying services from IGT-UK Gaming Limited during the year (2017: £nil).

Notes to the Financial Statements for the year ended 31 December 2018 (continued)

9. INTEREST INCOME / (EXPENSE) AND SIMILAR INCOME / (EXPENSES)

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Interest expense - other	(38)	(20)
Interest income - other	-	66
	<u>(38)</u>	<u>46</u>

10. TAX ON LOSS

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Current tax		
UK corporation tax	(587)	-
Adjustments in respect of prior period	-	124
Total current tax	<u>(587)</u>	<u>124</u>
Total tax (credit) / charge on loss	<u>(587)</u>	<u>124</u>

Tax assessed for the year is lower (2017: higher) than the standard rate of corporation tax in UK for the year ended 31 December 2018 of 19.00% (2017: 19.25%). The differences are explained below:

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Loss before taxation	<u>(3,053)</u>	<u>(2,763)</u>
Loss before taxation at standard UK tax rate of 19.00% (2017:19.25%)	(580)	(532)
Expenses not deductible for tax purposes	4	2
Utilisation of tax losses	-	-
Adjustments in respect of prior periods	-	124
Movement in unrecognised deferred tax asset	(11)	530
Tax rate changes	-	-
Total tax (credit) / charge for the year	<u>(587)</u>	<u>124</u>

Notes to the Financial Statements for the year ended 31 December 2018 (continued)

10. TAX ON LOSS (continued)

In 2018 tax credits totalling £587k (2017: £nil) have been group relieved. A receivable has been recognised from the group company obtaining the benefit.

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 19.00% from 1 April 2017 and to 17% from 1 April 2020. As there are no Deferred taxes at the balance sheet date, this has no impact on these financial statements.

11. TANGIBLE ASSETS

	Leasehold improvements £'000	Gaming Machines £'000	Total £'000
Cost			
At 1 January 2018	704	13,008	13,712
Additions	-	2,876	2,876
Less Disposals	-	(2,154)	(2,154)
At 31 December 2018	704	13,730	14,434
Accumulated Depreciation			
At 1 January 2018	357	9,830	10,187
Charge for the year	62	2,078	2,140
Less Disposals	-	(2,048)	(2,048)
At 31 December 2018	419	9,860	10,279
Net Book Value			
At 31 December 2018	285	3,870	4,155
At 31 December 2017	347	3,178	3,525

11. STOCKS

	31 December 2018 £'000	31 December 2017 £'000
Spare Parts	24	7
Finished Goods	16	52
	40	59

The amount of stocks recognised as an expense during the year was £1.8 million (2017: £1.3 million).

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 2018 (continued)**

12. DEBTORS

	31 December 2018 £'000	31 December 2017 £'000
Trade debtors	1,874	1,543
Amounts owed by group undertakings	15,996	16,133
Taxes receivables	389	389
UK corporation tax	26	26
Deferred tax	-	-
Prepayments and accrued income	1,353	992
	19,638	19,083

Amounts owed by the group undertakings are unsecured, repayable on demand and interest free with the exception of Intercompany cash-pooling loan balances receivable which attract interest receivable from IGT PLC at market related bank interest rates. No interest was receivable for these balances in the current year as the entity's cash pooling loan accounts were in overdraft throughout the year.

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2018 £'000	31 December 2017 £'000
Trade creditors	38	-
Amounts owed to group undertakings	30,432	27,398
VAT payable	116	120
Other taxation, social security	167	91
Accruals and deferred income	525	493
	31,278	28,102

Amounts owed to group undertakings are unsecured, repayable on demand and interest free with the exception of the Intercompany Cash pooling loan balances payable which require interest to be paid to IGT PLC at market related bank interest rates. The Cash pooling loan payable to IGT PLC amounted to £1.1 million as at 31 December 2018 (£0.3 million as at 31 December 2017).

Notes to the Financial Statements for the year ended 31 December 2018 (continued)

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

	31 December 2018 £'000	31 December 2017 £'000
Accruals and deferred income	20	92
	<u>20</u>	<u>92</u>

15. CALLED UP SHARE CAPITAL

	31 December 2018	31 December 2017
Allotted, issued and fully paid		
100 (2017: 100) ordinary shares of £1 each	100	100
	<u>100</u>	<u>100</u>

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

16. FINANCIAL COMMITMENTS

At 31 December 2018, the Company had the following future minimum lease payments/receivables under non-cancellable operating leases for each of the following periods:

Payments due	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Operating lease commitments which expire:		
Not later than one year	190	190
Later than one year and not later than five years	643	760
Later than five years	-	73
	<u>833</u>	<u>1,023</u>



IGT- UK GAMING LIMITED
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Notes to the Financial Statements for the year ended 31 December 2018 (continued)

17. ULTIMATE PARENT COMPANY AND RELATED PARTY TRANSACTIONS

The Company's immediate parent company is IGT-UK Group Limited.

The Company's intermediate parent company and controlling party is International Game Technology PLC ("IGT PLC"), a public limited company organized under the laws of England and Wales (the "Intermediate Parent"), which has its corporate headquarters in London, England. The Intermediate Parent is the successor to GTECH S.p.A., a società per azioni incorporated under the laws of Italy ("GTECH"), and the sole stockholder of International Game Technology, a Nevada corporation. The Intermediate Parent, together with its consolidated subsidiaries, has principal operating facilities in Rome, Italy; Providence, Rhode Island; and Las Vegas, Nevada.

The ultimate controlling entity of IGT-UK Gaming Limited is B&D Holding di Marco Drago e.C.S.a.p.a., which has the registered address of Via Giovanni Da Vaerazano 15 Novara, NO 28100 Italy.

The parent undertaking of both the smallest and the largest group which includes the Company for which group financial statements are prepared is IGT PLC.

Advantage has been taken of the exemption contained in paragraph 33.1A of FRS 102 "related party transactions" not to disclose transactions between entities, 100% of whose voting rights are controlled within the IGT Group. The financial statements of the intermediate parent company are publicly available on the IGT PLC website.