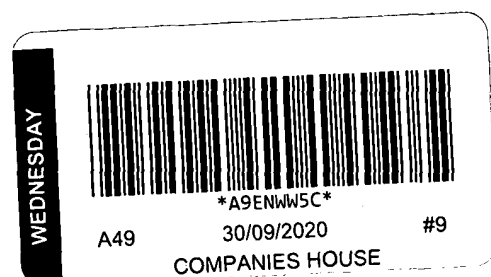


BEDE GAMING LIMITED
Annual Report and Financial Statements
for the Year Ended 31 December 2019



Bede Gaming Limited

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Bede Gaming Limited

Company Information

Directors	J J Dougal A Butcher J W Saumarez Smith M J Brady
Registered office	Bevan House 1 Esh Plaza Bobby Robson Way Newcastle Upon Tyne NE13 9BA
Solicitors	DLA Piper UK LLP 3 Noble Street London EC2V 7EE Square One Law LLP Anson House The Fleming Business Centre Burdon Terrace Newcastle upon Tyne NE2 3AE
Auditor	MHA Tait Walker Chartered Accountants & Statutory Auditor Bulman House Regent Centre Gosforth Newcastle upon Tyne NE3 3LS

Bede Gaming Limited

Strategic Report for the Year Ended 31 December 2019

The directors present their strategic report for the year ended 31 December 2019.

Fair review of the business

The company recorded turnover of £8,014,868 (2018 - £8,321,756) in the year.

The company has continued to diversify its geographic footprint with less reliance on its legacy UK market. Throughout 2019 there was continuing focus and investment in supporting Bede Gaming Canada Limited, a Canadian subsidiary of the company's parent, Bede Gaming (Holdings) Limited, in the roll-out of a new digital player platform solution for the Ontario Lottery and Gaming Corporation ("OLG"). The platform is expected to mobilise in the summer of 2020. As part of the preparation for the commencement of ongoing services to OLG, the company has continued to invest in a number of key roles including establishing a 24/7 network operations centre in its Newcastle office.

The company disposed of its intangible assets at no gain or loss and transferred those development costs of a capital nature incurred during the year to Bede Gaming (Holdings) Limited. Management concluded that this was appropriate to maintain the platform development and enhancement alongside the intellectual property.

On 13 March 2020, all of the share capital of Bede Gaming (Holdings) Limited, the company's parent, was acquired by Falcon Topco Limited, a UK subsidiary of adp Gauselmann GmbH. With this acquisition, the Gauselmann Group will further expand its existing digital presence and at the same time create new opportunities for the anticipated opening of the German online gaming market from 2021.

Like all businesses in the global economy, the company is carefully monitoring potential impacts of the COVID-19 pandemic and has implemented full business continuity arrangements to ensure that all essential client services can be maintained via off-site working utilising full cloud-based technology. The situation is being reviewed on a daily basis and the company is maintaining compliance with all local requirements driven by the authorities in each jurisdiction it operates in.

The company's key financial and other performance indicators during the year were as follows:

	Unit	2019	2018
Turnover	£	8,014,868	8,321,756
Operating Loss	£	(4,000,500)	(2,655,286)

Bede Gaming Limited

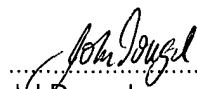
Strategic Report for the Year Ended 31 December 2019 (continued)

Principal risks and uncertainties

The company considers the following to be principal risks and uncertainties relating to its trade:

- COVID-19 virus - the company is actively monitoring the potential impact of the global pandemic on its ability to continue to supply contracted levels of service provision to its clients. Operating in the digital sector, the company is less exposed than many businesses in the gaming sector but recognises the need to remain vigilant and actively monitor its supply chain, internal resources including subject matter experts, the financial health of its clients and the ongoing need to remain compliant with government and regulatory requirements in each jurisdiction it operates in. The company also remains cognisant of the need to ensure that its business continuity policy arrangements are continuously reviewed and adapted in the context of the evolving global response to the virus;
- Regulatory and compliance risks - mitigated by the company's investment in its internal compliance team and the accountabilities delegated to its Risk and Compliance Subcommittee to ensure that robust policies, processes and controls are in place and working effectively;
- Access to and retention of appropriately skilled staff - mitigated by a proactive recruitment model within Bede's subsidiary companies in the UK, Canada and Bulgaria and having established learning and development programmes embedded across the Group;
- Foreign exchange volatility and cash management - mitigated by continuous review and management of the company's day-to-day cash balances and currency exposure in a proactive manner.

Approved by the Board on 14 July 2020 and signed on its behalf by:


.....
J. Dougal
Director

Bede Gaming Limited

Directors' Report for the Year Ended 31 December 2019

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

Principal activity

The principal activity of the company is software development and ongoing provision of related services to its clients.

Directors of the company

The directors who held office during the year were as follows:

J J Dougal
A A Marsh (resigned 13 March 2020)
A Butcher
D R Smyth (resigned 13 March 2020)
J W Saumarez Smith
M J Brady

Financial instruments

Objectives and policies

The company finances its activities with a combination of intercompany loans, finance leases and hire purchase contracts, cash and short term deposits. Other financial assets and liabilities, such as trade debtors and trade creditors, arise directly from the company's operating activities.

Price risk, credit risk, liquidity risk and cash flow risk

Interest rate risk

The company borrows using loans whose tenure depends on the nature of the asset and management's view of the future direction of interest rates.

Credit risk

Credit risk is the risk that one party of a financial instrument will cause a financial loss for the other party by failing to discharge its obligation. Company policies are aimed at minimising such losses and require customers to satisfy credit worthiness procedures prior to acceptance of contracts. The company does not consider that it is materially exposed to credit risk but is actively monitoring this from the perspective of the impact of the COVID-19 virus on its clients.

Cash flow and liquidity risk

Cash flow and liquidity risk is the risk that a company's available cash will not be sufficient to meet its financial obligations. The company actively manages its cash flow position including collection of debts and timely payment of creditors. As part of the acquisition of the Group in March 2020, a working capital facility of up to £5,000,000 was entered into at commercial rates.

Future developments

The company continues to maintain a diverse pipeline of further potential customer opportunities and is in the process of prioritising which commercial opportunities it will now jointly pursue with businesses within the wider Gauselmann group.

Bede Gaming Limited

Directors' Report for the Year Ended 31 December 2019 (continued)

Going concern

The company meets its day to day working capital requirements through cash generated from operations and funding provided by its parent.

At this time, the long term impact of the COVID-19 virus on the global economy and the subsequent impact on the company is unknown, however to date the company has not been significantly impacted. The company's workforce has been able to work remotely throughout the pandemic and, due to the sector in which the company's core activities are in, trade and operations have continued uninterrupted. Post year end the Bede group was bought by adp Gauselmann GmbH which has resulted in additional funding being provided to the group. The short term loans from shareholders and the longer term third party loans in the parent's balance sheet have been replaced by longer term funding from the new owners and an additional significant working capital facility has been provided to the company.

The company's forecasts and projections for the next twelve months show that it should be able to continue in operational existence for that period and operate within the facilities currently available to it, taking into account reasonable possible changes in trading performance. In the directors assessment of possible changes they have considered availability of government support and potential cost savings which are reflective of their business continuity plan should the global economic impact of the COVID 19 pandemic widen.

Having considered the current cash forecasts of the company, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for a period of a least twelve months from the date of signing these financial statements. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Disclosure of information to the auditor

Each director has taken 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 auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Approved by the Board on 14 July 2020 and signed on its behalf by:


.....
JJ Dougal
Director

Bede Gaming Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Bede Gaming Limited

Independent Auditor's Report to the Members of Bede Gaming Limited

Opinion

We have audited the financial statements of Bede Gaming Limited (the 'company') for the year ended 31 December 2019, which comprise the Income Statement, Statement of Financial Position, Statement of Changes in Equity, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 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 2019 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.

Bede Gaming Limited

Independent Auditor's Report to the Members of Bede Gaming Limited (continued)

Opinion on other matter 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 our 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 the Directors' Report.

We have nothing to report in respect of the following matters where 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.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities (set out on page 6), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Bede Gaming Limited

Independent Auditor's Report to the Members of Bede Gaming Limited (continued)

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.



.....
Christopher Potter BA (Hons) ACA (Senior Statutory Auditor)
For and on behalf of MHA Tait Walker
Chartered Accountants
Statutory Auditor
Bulman House
Regent Centre
Gosforth
Newcastle upon Tyne
NE3 3LS

Date: 15/7/20

MHA Tait Walker is a trading name of Tait Walker LLP.

Bede Gaming Limited

Income Statement for the Year Ended 31 December 2019

	Note	2019 £	2018 £
Turnover	3	8,014,868	8,321,756
Cost of sales		<u>(9,621,124)</u>	<u>(6,659,654)</u>
Gross (loss)/profit		(1,606,256)	1,662,102
Administrative expenses		(5,639,414)	(4,317,388)
Other operating income	4	<u>3,245,170</u>	<u>-</u>
Operating loss	5	(4,000,500)	(2,655,286)
Other interest receivable and similar income	6	<u>59,013</u>	<u>9,395</u>
Loss before tax		(3,941,487)	(2,645,891)
Taxation	10	<u>2,033,502</u>	<u>1,380,954</u>
Loss for the financial year		<u><u>(1,907,985)</u></u>	<u><u>(1,264,937)</u></u>

The above results were derived from continuing operations.

The company has no recognised gains or losses for the year other than the results above.

The notes on pages 13 to 28 form an integral part of these financial statements.


Bede Gaming Limited

(Registration number: 08089112)

Statement of Financial Position as at 31 December 2019

	Note	2019 £	2018 £
Fixed assets			
Intangible assets	11	-	3,674,498
Tangible assets	12	538,210	295,670
Investments	13	1,056	1,056
		<u>539,266</u>	<u>3,971,224</u>
Current assets			
Debtors	14	4,158,765	3,174,913
Cash at bank and in hand		438,724	1,845,347
		<u>4,597,489</u>	<u>5,020,260</u>
Creditors: Amounts falling due within one year	15	<u>(3,057,575)</u>	<u>(5,289,588)</u>
Net current assets/(liabilities)		<u>1,539,914</u>	<u>(269,328)</u>
Total assets less current liabilities		<u>2,079,180</u>	<u>3,701,896</u>
Provisions for liabilities	16	<u>-</u>	<u>(378,798)</u>
Net assets		<u>2,079,180</u>	<u>3,323,098</u>
Capital and reserves			
Called up share capital	18	11,248	11,248
Share premium reserve	19	98,889	98,889
Profit and loss account	19	(3,670,094)	(2,426,176)
Capital contribution reserve		<u>5,639,137</u>	<u>5,639,137</u>
Total equity		<u>2,079,180</u>	<u>3,323,098</u>

Approved and authorised by the Board on 14 July 2020 and signed on its behalf by:


 JJ Dougal
 Director

The notes on pages 13 to 28 form an integral part of these financial statements.

Bede Gaming Limited

Statement of Changes in Equity for the Year Ended 31 December 2019

	Share capital £	Share premium £	Capital contribution reserve £	Profit and loss account £	Total £
At 1 January 2018	11,248	98,889	5,639,137	(1,379,202)	4,370,072
Loss for the year	-	-	-	(1,264,937)	(1,264,937)
Total comprehensive income	-	-	-	(1,264,937)	(1,264,937)
Share based payment transactions	-	-	-	217,963	217,963
At 31 December 2018	<u>11,248</u>	<u>98,889</u>	<u>5,639,137</u>	<u>(2,426,176)</u>	<u>3,323,098</u>
	Share capital £	Share premium £	Capital contribution reserve £	Profit and loss account £	Total £
At 1 January 2019	11,248	98,889	5,639,137	(2,426,176)	3,323,098
Loss for the year	-	-	-	(1,907,985)	(1,907,985)
Total comprehensive income	-	-	-	(1,907,985)	(1,907,985)
Share based payment transactions	-	-	-	664,067	664,067
At 31 December 2019	<u>11,248</u>	<u>98,889</u>	<u>5,639,137</u>	<u>(3,670,094)</u>	<u>2,079,180</u>

The notes on pages 13 to 28 form an integral part of these financial statements.

Bede Gaming Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

1 General information

The company is a private company limited by share capital, incorporated in England and Wales.

The address of its registered office is Bevan House, 1 Esh Plaza, Bobby Robson Way, Newcastle Upon Tyne, NE13 9BA.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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.

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Basis of preparation

These financial statements have been prepared using the historical cost convention.

These financial statements are prepared in sterling which is the functional currency of the entity.

Summary of disclosure exemptions

The entity satisfies the criteria of being a qualifying entity as defined in FRS 102. As such, advantage has been taken of the following disclosure exemptions available under paragraph 1.12 of FRS 102:

- (a) No cash flow statement has been presented for the company.
- (b) Disclosures in respect of financial instruments have not been presented.
- (c) Disclosures in respect of share-based payments have not been presented.
- (d) No disclosure has been given for the aggregate remuneration of key management personnel.

The Company has taken advantage of the exemption available under paragraph 33.1A of FRS 102 and does not disclose related party transactions with members of the same group that are wholly owned.

Name of parent of group

These financial statements are consolidated in the financial statements of Bede Gaming (Holdings) Limited.

The financial statements of Bede Gaming (Holdings) Limited may be obtained from Bevan House, 1 Esh Plaza, Sir Bobby Robson Way, Newcastle upon Tyne, NE13 9BA.

Bede Gaming Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Going concern

The company meets its day to day working capital requirements through cash generated from operations and funding provided by its parent.

At this time, the long term impact of the COVID-19 virus on the global economy and the subsequent impact on the company is unknown, however to date the company has not been significantly impacted. The company's workforce has been able to work remotely throughout the pandemic and, due to the sector in which the company's core activities are in, trade and operations have continued uninterrupted. Post year end the Bede group was bought by adp Gauselmann GmbH which has resulted in additional funding being provided to the group. The short term loans from shareholders and the longer term third party loans in the parent's balance sheet have been replaced by longer term funding from the new owners and an additional significant working capital facility has been provided to the company.

The company's forecasts and projections for the next twelve months show that it should be able to continue in operational existence for that period and operate within the facilities currently available to it, taking into account reasonable possible changes in trading performance. In the directors assessment of possible changes they have considered availability of government support and potential cost savings which are reflective of their business continuity plan should the global economic impact of the COVID 19 pandemic widen.

Having considered the current cash forecasts of the company, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for a period of a least twelve months from the date of signing these financial statements. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Exemption from preparing group accounts

The financial statements contain information about Bede Gaming Limited as an individual company and do not contain consolidated financial information as the parent of a group.

The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Bede Gaming (Holdings) Limited, a company incorporated in England and Wales.

Judgements

The judgements (apart from those involving estimations) that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are as follows:

Assessing indicators of impairment - In assessing whether there have been indicators of impairment of assets, the directors have considered both external and internal sources of information such as market conditions, counterparty credit ratings and experience of recoverability.

Assessing the useful economic lives of assets - Intangible assets and fixed assets are amortised or depreciated over their useful lives. Useful lives are based on management's estimates of the period that the assets will generate revenue over, which are periodically reviewed for continued appropriateness.

Capitalisation of intangibles - the cost of internally generated assets is capitalised as an intangible asset where it is determined by management's judgement that the ability to develop the assets is technically feasible, will be completed, and that the asset will generate economic benefit.

Bede Gaming Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Key sources of estimation uncertainty

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

Useful economic lives of intangible assets - The annual amortisation charge is sensitive to changes in the estimated useful lives of the assets. The useful economic lives are re-assessed annually. They are amended when necessary to reflect current estimates, future investments and economic utilisation. The value of the amortisation charged to the income statement during the year was £Nil (2018 - £576,031).

Share-based payment expense - The estimation of share-based payment costs requires the selection of an appropriate valuation model together with assumptions in respect of the key inputs into the model, the likelihood of the options vesting and the length of the vesting period. Differences arising from actual experience may be reflected in future years. The carrying amount is £882,030 (2018 - £217,963).

Revenue recognition

Turnover is measured at the fair value of the consideration received or receivable for services rendered, net of discounts and Value Added Tax.

Income includes revenue derived from the provision of certain services and licenced technology for which charges are based on a fixed-fee and stepped according to the usage of the service/technology in each accounting period. Income is recognised over the period of service once the obligations under the contracts have passed. Where amounts are billed and obligations not met, revenue is deferred.

Other income receivable under fixed-term arrangements is recognised as revenue over the term of the agreement on a straight line basis.

Government grants

Government grants are recognised at the fair value of the asset received or receivable. Grants are not recognised until there is reasonable assurance that the company will comply with the conditions attaching to them and the grants will be received. Government grants are recognised using the performance model. Under the performance model, where the grant does not impose specified future performance-related conditions on the recipient, it is recognised in income when the grant proceeds are received or receivable. Where the grant does impose specified future performance-related conditions on the recipient, it is recognised in income only when the performance-related conditions have been met. Where grants received are prior to satisfying the revenue recognition criteria, they are recognised as a liability.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rate on the date when the fair value is re-measured.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Bede Gaming Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a charge attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred tax is recognised in respect of all timing differences between taxable profits and profits reported in the financial statements. Unrelieved tax losses and other deferred tax assets are 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 the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference.

Tangible assets

Tangible assets are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Property improvements	10% straight line
Fixtures and fittings	20% straight line
Office equipment	25 - 33.33% straight line

Intangible assets

Intangible assets are initially recorded at cost, and are subsequently stated at cost less any accumulated amortisation and impairment losses. Any intangible assets carried at revalued amounts, are recorded at the fair value at the date of revaluation, as determined by reference to an active market, less any subsequent accumulated amortisation and subsequent accumulated impairment losses.

Intangible assets acquired as part of a business combination are recorded at the fair value at the acquisition date.

Expenditure incurred on development activities including the company's software development is capitalised only where the expenditure will lead to new or substantially improved products, the products are technically and commercially feasible and the company has sufficient resources to complete development.

Subsequent expenditure on capitalised intangible assets is capitalised only where it clearly increases the economic benefits to be derived from the asset to which it relates. All other expenditure, including that incurred in order to maintain an intangible asset's current level of performance, is expensed as incurred.

Bede Gaming Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

Asset class	Amortisation method and rate
Development costs	20% straight line

Research and development

Development expenditure incurred is capitalised as an intangible asset only when all of the following criteria are met:

- It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- There is the intention to complete the intangible asset and use or sell it;
- There is the ability to use or sell the intangible asset;
- The use or sale of the intangible asset will generate probable future economic benefits;
- There are adequate technical, financial and other resources available to complete the development and to use or sell the intangible asset; and
- The expenditure attributable to the intangible asset during its development can be measured reliably.

Expenditure that does not meet the above criteria is expensed as incurred.

Impairment of fixed assets

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

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

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the company are assigned to those units.

Bede Gaming Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Investments

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

Trade debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Trade creditors

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 the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Income Statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Leases

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

Assets held under finance leases are recognised at the lower of their fair value at inception of the lease and the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

Lease payments are apportioned between finance costs in the Income Statement and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

Bede Gaming Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

Share based payments

The company's employees have been granted share options by the parent company, Bede Gaming (Holdings) Limited. The parent company operates an equity-settled, share-based compensation plan, under which this company receives services from employees as consideration for equity instruments (options) of the entity. The fair value of the employee services received is measured by reference to the estimated fair value at the grant date of equity instruments granted and is recognised as an expense over the vesting period. The estimated fair value of the option granted is calculated using the Black Scholes option pricing model. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. The corresponding credit is recognised in retained earnings as a component of equity.

3 Revenue

The analysis of the company's revenue for the year from continuing operations is as follows:

	2019 £	2018 £
Rendering of services	<u>8,014,868</u>	<u>8,321,756</u>

The analysis of the company's turnover for the year by market is as follows:

	2019 £	2018 £
Europe	4,962,694	6,832,820
Rest of world	<u>3,052,174</u>	<u>1,488,936</u>
	<u>8,014,868</u>	<u>8,321,756</u>

Bede Gaming Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

4 Other operating income

The analysis of the company's other operating income for the year is as follows:

	2019 £	2018 £
Income from platform development activities	<u>3,245,170</u>	<u>-</u>

During the year the company carried out activities in relation to development of the platform for which the intellectual property is recognised in the parent company. The associated costs have been charged to the parent company in this respect. Previous capitalised development costs have also be transferred at no gain or loss to Bede Gaming (Holdings) Limited.

5 Operating loss

Arrived at after charging/(crediting)

	2019 £	2018 £
Depreciation expense	118,272	108,737
Amortisation expense	-	576,031
Foreign exchange (gains)/losses	(23,184)	9,815
(Profit)/loss on disposal of property, plant and equipment	<u>(874)</u>	<u>64</u>

6 Other interest receivable and similar income

	2019 £	2018 £
Interest income on bank deposits	2,521	9,034
Other finance income	<u>56,492</u>	<u>361</u>
	<u>59,013</u>	<u>9,395</u>

7 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2019 £	2018 £
Wages and salaries	6,581,805	5,471,551
Social security costs	681,474	538,584
Pension costs, defined contribution scheme	305,281	214,039
Share-based payment expenses	<u>664,067</u>	<u>217,963</u>
	<u>8,232,627</u>	<u>6,442,137</u>

Bede Gaming Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

7 Staff costs (continued)

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2019 No.	2018 No.
Administration and support	153	126
Management	6	6
	<u>159</u>	<u>132</u>

8 Directors' remuneration

The directors' remuneration for the year was as follows:

	2019 £	2018 £
Remuneration	377,791	390,383
Contributions paid to money purchase schemes	20,384	21,350
	<u>398,175</u>	<u>411,733</u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2019 No.	2018 No.
Accruing benefits under money purchase pension scheme	<u>4</u>	<u>5</u>

In respect of the highest paid director:

	2019 £	2018 £
Remuneration	150,414	141,306
Company contributions to money purchase pension schemes	<u>7,272</u>	<u>7,036</u>

9 Auditor's remuneration

	2019 £	2018 £
Audit of the financial statements	<u>9,000</u>	<u>9,000</u>

Bede Gaming Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

10 Taxation

Tax charged/(credited) in the income statement

	2019 £	2018 £
Current taxation		
UK corporation tax	(1,654,704)	(1,382,840)
UK corporation tax adjustment to prior periods	-	(289,990)
	<u>(1,654,704)</u>	<u>(1,672,830)</u>
Deferred taxation		
Arising from origination and reversal of timing differences	(378,798)	345,252
Arising from changes in tax rates and laws	-	(53,376)
	<u>(378,798)</u>	<u>291,876</u>
Total deferred taxation	<u>(378,798)</u>	<u>291,876</u>
Tax receipt in the income statement	<u>(2,033,502)</u>	<u>(1,380,954)</u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2018 - lower than the standard rate of corporation tax in the UK) of 19% (2018 - 19%).

The differences are reconciled below:

	2019 £	2018 £
Loss before tax	<u>(3,941,487)</u>	<u>(2,645,891)</u>
Corporation tax at standard rate	(748,882)	(502,719)
Increase/(decrease) from effect of different UK tax rates on some earnings	44,564	(36,339)
Effect of expense not deductible in determining taxable profit (tax loss)	697,547	51,705
Effect of tax losses	2,168,232	1,786,376
Decrease in UK and foreign current tax from adjustment for prior periods	-	(307,000)
Tax decrease arising from group relief	-	(54,475)
Tax decrease from effect of adjustment in research and development tax credit	(3,496,809)	(2,318,502)
Other tax effects of transfer of intangible assets to parent company	<u>(698,154)</u>	<u>-</u>
Total tax credit	<u>(2,033,502)</u>	<u>(1,380,954)</u>

Bede Gaming Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

10 Taxation (continued)

Deferred tax

Deferred tax assets and liabilities

	Liability £
2019	
Accelerated capital allowances	48,565
Unused tax losses	(4,664)
Short term timing differences	<u>(43,901)</u>
	-
	Liability £
2018	
Accelerated capital allowances	660,928
Unused tax losses	(282,049)
Short term timing differences	<u>(81)</u>
	<u>378,798</u>

11 Intangible assets

	Development costs £
Cost or valuation	
At 1 January 2019	5,439,627
Disposals	<u>(5,439,627)</u>
At 31 December 2019	-
Amortisation	
At 1 January 2019	1,765,129
Amortisation eliminated on disposals	<u>(1,765,129)</u>
At 31 December 2019	-
Carrying amount	
At 31 December 2019	-
At 31 December 2018	<u>3,674,498</u>

The company has historically carried out activities in relation to development of the platform for which the intellectual property is recognised in the parent company. Management have concluded such assets should be recognised by the same entity and therefore the previous capitalised development costs have been transferred at no gain or loss to Bede Gaming (Holdings) Limited.

Bede Gaming Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

12 Tangible assets

	Fixtures and fittings £	Property Improvements £	Office equipment £	Total £
Cost or valuation				
At 1 January 2019	408,430	293,736	127,428	829,594
Additions	111,081	232,244	19,122	362,447
Disposals	(2,509)	-	-	(2,509)
At 31 December 2019	<u>517,002</u>	<u>525,980</u>	<u>146,550</u>	<u>1,189,532</u>
Depreciation				
At 1 January 2019	313,492	107,318	113,114	533,924
Charge for the year	67,814	41,229	9,229	118,272
Eliminated on disposal	(874)	-	-	(874)
At 31 December 2019	<u>380,432</u>	<u>148,547</u>	<u>122,343</u>	<u>651,322</u>
Carrying amount				
At 31 December 2019	<u>136,570</u>	<u>377,433</u>	<u>24,207</u>	<u>538,210</u>
At 31 December 2018	<u>94,938</u>	<u>186,418</u>	<u>14,314</u>	<u>295,670</u>

13 Investments in subsidiaries, joint ventures and associates

	2019 £	2018 £
Investments in subsidiaries	<u>1,056</u>	<u>1,056</u>

Subsidiaries	£
Cost or valuation	
At 1 January 2019	<u>1,056</u>
At 31 December 2019	<u>1,056</u>
Provision	
At 1 January 2019	<u>-</u>
At 31 December 2019	<u>-</u>
Carrying amount	
At 31 December 2019	<u>1,056</u>
At 31 December 2018	<u>1,056</u>

Bede Gaming Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

13 Investments in subsidiaries, joint ventures and associates (continued)

Details of undertakings

Details of the investments (including principal place of business of unincorporated entities) in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Registered office	Holding	Proportion of voting rights and shares held	
			2019	2018
Subsidiary undertakings				
Bede Software Bulgaria	Floor 6, 3 Vitosha Blvd. Sredets District, Sofia Bulgaria	Ordinary	100%	100%
Bede Gaming Malta (Holdings) Limited	Tower Gate Place, Tal-Qroqq Street, Msida MSD 1703 Malta	Ordinary	100%	100%
Bede Gaming Malta Limited	Tower Gate Place, Tal-Qroqq Street, Msida MSD 1703 Malta	Ordinary	100%	100%

Subsidiary undertakings

Bede Software Bulgaria

The principal activity of Bede Software Bulgaria is software development.

Bede Gaming Malta (Holdings) Limited

The principal activity of Bede Gaming Malta (Holdings) Limited is software development.

Bede Gaming Malta Limited

The principal activity of Bede Gaming Malta Limited is software development. This investment is held indirectly.

Bede Gaming Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

14 Debtors

	2019	2018
	£	£
Trade debtors	485,294	632,842
Amounts owed by group undertakings	1,573,800	744,892
Other debtors	105,718	49,845
Prepayments	339,249	364,494
Corporation tax asset	1,654,704	1,382,840
	<u>4,158,765</u>	<u>3,174,913</u>

15 Creditors

	2019	2018
	£	£
Due within one year		
Trade creditors	752,405	396,550
Amounts due to group undertakings	1,240,008	3,978,862
Social security and other taxes	211,868	205,164
Other creditors	55,931	1,504
Accrued expenses	797,363	707,508
	<u>3,057,575</u>	<u>5,289,588</u>

Finance lease obligations are secured against the assets to which they relate.

16 Deferred tax and other provisions

	Deferred tax	Total
	£	£
At 1 January 2019	378,798	378,798
Increase (decrease) in existing provisions	<u>(378,798)</u>	<u>(378,798)</u>
At 31 December 2019	<u>-</u>	<u>-</u>

17 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £305,281 (2018 - £214,039).

Contributions totalling £54,876 (2018 - £955) were payable to the scheme at the end of the year and are included in creditors.

Bede Gaming Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

18 Share capital

Allotted, called up and fully paid shares

	No.	2019 £	No.	2018 £
Ordinary of £0.01 each	<u>1,124,779</u>	<u>11,248</u>	<u>1,124,779</u>	<u>11,248</u>

19 Reserves

Called up share capital

This represents the nominal value of shares that have been issued.

Share premium account

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

Capital contribution account

This reserve records the long term financing provided by the parent company.

Profit and loss account

This reserve records retained earnings and accumulated losses.

Bede Gaming Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

20 Obligations under leases and hire purchase contracts

Operating leases

The total of future minimum lease payments is as follows:

	2019 £	2018 £
Not later than one year	180,680	124,490
Later than one year and not later than five years	684,720	497,960
Later than five years	27,223	143,931
	<u>892,623</u>	<u>766,381</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £124,490 (2018 - £124,490).

21 Related party transactions

Intellectual Property & Software Limited were a related party by virtue of having common directors and shareholders. During the year the company made sales of £nil (2018 - £942,078) to Intellectual Property & Software Limited. Included within debtors at the year end was £nil (2018 - £nil) owed from Intellectual Property & Software Limited.

Rocket 9 Limited were a related party by virtue of having common directors and shareholders. During the year the company made sales of £nil (2018 - £229,552) to Rocket 9 Limited. Included within debtors at the year end was £nil (2018 - £nil) owed from Rocket 9 Limited.

Sports Gaming Limited are a related party by virtue of having common directors and shareholders. During the year Sports Gaming Limited provided an office furniture lease with associated interest payments of £nil (2018 - £17,400). Included within creditors at the year end was £nil (2018 - £nil) owed to Sports Gaming Limited.

22 Parent and ultimate parent undertaking

The company's immediate parent is Bede Gaming (Holdings) Limited, incorporated in England and Wales.

These financial statements are available upon request from Bevan House, 1 Esh Plaza, Sir Bobby Robson Way, Newcastle upon Tyne, NE13 9BA.