

Registered number: 03565640

INSPIRED GAMING (UK) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE 52 WEEKS ENDED 24 SEPTEMBER 2016

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INSPIRED GAMING (UK) LIMITED

COMPANY INFORMATION

Directors	D G Wilson S J Holmes L W Gregory S R Rogers S F B Baker (appointed 4 May 2017)
Company secretary	C Damon
Registered number	03565640
Registered office	3 The Maltings Wetmore Road Burton-on-Trent Staffordshire DE14 1SE
Independent auditors	KPMG LLP Chartered Accountants & Registered Auditors St Nicholas House Park Row Nottingham NG1 6FQ
Bankers	Lloyds Bank PLC 114-116 Colmore Row Birmingham B3 3BD
Solicitors	Dickson Minto W.S. 22-25 Finsbury Square Royal London House London EC2A 1DX

INSPIRED GAMING (UK) LIMITED

CONTENTS

	Page
Strategic Report	1 - 2
Directors' Report	3 - 4
Directors' Responsibilities Statement	5
Independent Auditors' Report	6 - 7
Profit and Loss Account	8
Statement of Comprehensive Income	9
Balance Sheet	10 - 11
Statement of Changes in Equity	12
Notes to the Financial Statements	13 - 49

INSPIRED GAMING (UK) LIMITED

STRATEGIC REPORT FOR THE 52 WEEKS ENDED 24 SEPTEMBER 2016

The directors present their Strategic Report for the 52 weeks ended 24 September 2016.

Business review

DMWSL 633 Limited Group, of which the Company is the main trading entity, is a global gaming technology Group, supplying Virtual Sports and Server Based Gaming ('SBG') systems to regulated lottery, betting and gaming operators worldwide through an 'omni-channel' distribution strategy. The Group provides end-to-end digital gaming solutions on a proprietary and secure network that accommodates a wide range of devices, including land-based gaming machine products, mobile devices such as smartphones and tablets, as well as PC and social applications.

The Group operates in a highly regulated industry. The Group and its products, as applicable, are licensed, authorised or certified (as required dependent on local jurisdictions) in a number of key gaming and lottery jurisdictions. Key licenses, authorisations and certifications include the Gambling Commission of Great Britain, the Licensing Authority of Gibraltar, the Alderney Gambling Control Commission and the State of New Jersey - Division of Gaming Enforcement. The Group is a member of key industry associations including the Gaming Standards Association, World Lottery Association and Association of Gaming Equipment Manufacturers.

During the period to 24 September 2016, revenue decreased by £2.4m, due mainly to the exit of the Company's final analogue contract. Cost of sales increased by £1m due to additional content costs on the UK LBO estate as a result of income and density growth.

EBITDA remained constant over the two periods with the decrease in gross margin caused by the above factors offset by favourable movements in currency exchange translation differences.

Depreciation and amortisation charge decreased by £0.7m due mainly to Italian assets reaching residual value, partly offset by an impairment of social gaming assets.

On 23 December 2016, Hydra Industries Acquisition Corp. ('Hydra'), a special purpose acquisition company listed on the NASDAQ stock exchange, completed a transaction to acquire DMWSL 633 Limited. Immediately after closing, Hydra changed its name to Inspired Entertainment, Inc.

SBG

The SBG segment designs, develops, markets and distributes a comprehensive portfolio of products and services through the Group's fully digital network architecture. Customers include UK licensed betting offices, arcade and bingo operators and lotteries, in the UK and continental Europe, and worldwide including South America, as well as government affiliated and licensed operators.

During the period to 24 September 2016, UK SBG terminals in licenced betting offices generated gross win (defined as stake less amounts returned to player, before gaming tax deductions) growth of 6% year on year against a backdrop of increased gaming taxes for approximately half of the period, reducing net win growth to 3%. Average volumes across our total UK estate grew 3% over the period. The Italian SBG terminal business experienced growth in gross win of 7%, due to the release of new titles, including Diamond Goddess and Regina delle Nevi ("Snow Queen"). In Italy, we also completed contract extensions with Lottomatica and Sisal.

INSPIRED GAMING (UK) LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE 52 WEEKS ENDED 24 SEPTEMBER 2016

Virtual Sports

Virtual Sports sales include gaming software and content to virtual sports retail and digital operators. Customers for Virtual Sports include UK LBOs, casinos, online operators and other gaming and lottery operators in the UK, continental Europe and North America. Virtual Sports can be adapted to function in a sports betting, lottery, or gaming environment and is therefore available to a wide range of customers in both public and private implementations.

During the period to 24 September 2016, the Group signed new virtual sports contracts with customers including Greentube in Italy, Decart in Bulgaria and OPAP in Greece, as well as launching new implementations including Belfair, the Bookmakers Technology Consortium in UK and ATG in Sweden.

The Group also launched a new soccer title, Rush Football 2, which features lifelike ultra HD graphics and over 30 betting markets, Rush Football Live and Rush Golf Live, which feature on demand and in play options, and Virtuals Connect, a fully-managed turnkey solution.

The Group also expanded its geographical reach, signing its first contracts for Virtual Sports in the US, with William Hill, Resorts World Digital and Golden Nugget.

Principal risks and uncertainties

The management of the business and the execution of the Group's strategy is subject to a number of risks. Interest rate, currency and liquidity risks are managed at a Group level rather than at a Company level.

The key business risks and uncertainties affecting the Group include competitor actions, market acceptance of new products, reliance on information systems, technology and infrastructure and regulatory developments. Further discussion of these risks in the context of the Group as a whole, and also a description of the Group's financial risk management objectives and policies, is included in the Strategic Report of DMWSL 633 Limited, which does not form a part of this report.

FINANCIAL KEY PERFORMANCE INDICATORS

The directors of DMWSL 633 Limited manage the Group's operations on a divisional basis. For this reason, the Company's directors believe that analysis using KPIs for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business. The development, performance and position of the Group, including this Company, is discussed in the Strategic Report of DMWSL 633 Limited, which does not form a part of this report.

This report was approved by the board on 21 June 2017 and signed on its behalf.

S F B Baker
Director



INSPIRED GAMING (UK) LIMITED

DIRECTORS' REPORT FOR THE 52 WEEKS ENDED 24 SEPTEMBER 2016

The directors present their report and the financial statements for the 52 weeks ended 24 September 2016.

Results and dividends

The profit for the 52 weeks, after taxation, amounted to £430,000 (2015 - £29,694,000).

The directors do not propose the payment of a dividend (2015 £Nil).

Directors

The directors who served during the 52 weeks were:

D G Wilson
S J Holmes
L W Gregory
S R Rogers

Future developments

The director considers that the Company is well placed to perform strongly in the future and does not expect there to be any significant change in the Company's principal activities in the foreseeable future.

On 23 December 2016, Hydra Industries Acquisition Corp. ('Hydra'), a special purpose acquisition company listed on the NASDAQ stock exchange, completed a transaction to acquire DMWSL 633 Limited. Immediately after closing, Hydra changed its name to Inspired Entertainment, Inc.

Research and development activities

The main focus of development for the Group is in the area of software, platform and new machine projects. Total development costs amortised to the Company profit and loss in the financial period were £5.4 million (2015 £4.7million) with a further £15.5 million capitalised (2015 £11.6million). In addition £2.4m (2015 £2.5m) of research and development costs were expensed to the profit and loss during the financial period.

Employee involvement

The Company places considerable value on the involvement of its employees and operates the practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings, company wide webcasts, publications, such as our periodic internal magazine Freespin, and other forms of communication.

Disabled employees

The Company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is Company policy wherever practical to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

INSPIRED GAMING (UK) LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE 52 WEEKS ENDED 24 SEPTEMBER 2016**

Qualifying third party indemnity provisions

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial period and is currently in force. The Company also purchased and maintained throughout the period directors' and officers' liability insurance in respect of itself and its directors.

Disclosure of information to auditors

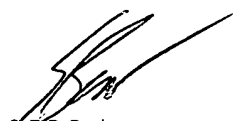
Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

The auditors, KPMG LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 21 June 2017 and signed on its behalf.


SFB Baker
Director

INSPIRED GAMING (UK) LIMITED

**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE 52 WEEKS ENDED 24 SEPTEMBER 2016**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in Directors' Reports may differ from legislation in other jurisdictions.

INSPIRED GAMING (UK) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF INSPIRED GAMING (UK) LIMITED

We have audited the financial statements of Inspired Gaming (UK) Limited for the 52 weeks ended 24 September 2016, set out on pages 8 to 49. The relevant financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 Auditors' 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.

Respective responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 24 September 2016 and of its profit for the 52 weeks 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial 52 weeks for which the financial statements are prepared is consistent with those financial statements.

INSPIRED GAMING (UK) LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF INSPIRED GAMING (UK) LIMITED
(CONTINUED)**

Matters on which we are required to report by exception

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.



Craig Parkin (Senior Statutory Auditor)

for and on behalf of

KPMG LLP

Chartered Accountants
Registered Auditors

St Nicholas House
Park Row
Nottingham
NG1 6FQ

21 June 2017

INSPIRED GAMING (UK) LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE 52 WEEKS ENDED 24 SEPTEMBER 2016**

		24 September 2016 £000	52 weeks ended 26 September 2015 £000
	Note		
Turnover	3	72,636	75,049
Cost of sales		(15,416)	(14,441)
Gross profit		57,220	60,608
Administrative expenses		(50,067)	(55,597)
Exceptional non-recurring administrative expenses	4	(3,265)	(2,510)
Exceptional non-recurring other operating income	5	-	36,125
Fair value movements		202	(314)
Operating profit	6	4,090	38,312
Interest receivable and similar income	10	57	443
Interest payable and similar charges	11	(255)	(2,495)
Other finance income		(91)	(81)
Profit before tax		3,801	36,179
Tax on profit on ordinary activities	13	(3,371)	(6,485)
Profit for the 52 weeks		430	29,694

The notes on pages 13 to 49 form part of these financial statements.

INSPIRED GAMING (UK) LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE 52 WEEKS ENDED 24 SEPTEMBER 2016**

	24 September 2016 £000	<i>52 weeks ended 26 September 2015 £000</i>
Note		
Profit for the financial 52 weeks	430	29,694
Other comprehensive income		
Actuarial loss on defined benefit schemes	(4,858)	(2,290)
Movement on deferred tax relating to pension losses	666	458
Other pension related movements	-	(169)
Other comprehensive loss for the 52 weeks/period	(4,192)	(2,001)
Total comprehensive loss for the 52 weeks	(3,762)	27,693

INSPIRED GAMING (UK) LIMITED
REGISTERED NUMBER: 03565640

BALANCE SHEET
AS AT 24 SEPTEMBER 2016

	Note	24 September 2016 £000	26 September 2015 £000
Fixed assets			
Intangible assets	14	37,556	31,477
Tangible assets	15	30,986	41,130
Investments	16	20,083	20,083
		<hr/> 88,625	<hr/> 92,690
Current assets			
Stocks	17	6,028	5,501
Debtors More Than One Year	18	11,134	13,524
Debtors Within One Year	18	139,135	131,906
Cash at bank and in hand	19	790	2,010
		<hr/> 157,087	<hr/> 152,941
Creditors: amounts falling due within one year	20	<hr/> (162,252)	<hr/> (209,011)
Net current liabilities		(5,165)	(56,070)
Total assets less current liabilities		<hr/> 83,460	<hr/> 36,620
Creditors: amounts falling due after more than one year	21	(6,697)	(8,661)
Provisions for liabilities			
Other provisions	24	(741)	(1,099)
Net assets excluding pension liability		<hr/> 76,022	<hr/> 26,860
Pension liability	28	(6,130)	(3,206)
Net assets		<hr/> <hr/> 69,892	<hr/> <hr/> 23,654

INSPIRED GAMING (UK) LIMITED
REGISTERED NUMBER: 03565640

BALANCE SHEET (CONTINUED)
AS AT 24 SEPTEMBER 2016

		24 September 2016 £000	26 September 2015 £000
	Note		
Capital and reserves			
Called up share capital	25	10	10
Share premium account	26	2,093	2,093
Capital contribution reserve	26	50,000	-
Profit and loss account	26	17,789	21,551
		<u>69,892</u>	<u>23,654</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 21 June 2017.

S F B Baker
 Director



The notes on pages 13 to 49 form part of these financial statements.

INSPIRED GAMING (UK) LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE 52 WEEKS ENDED 24 SEPTEMBER 2016**

	Called up share capital £000	Share premium account £000	Capital contribution £000	Profit and loss account £000	Total equity £000
At 28 September 2014	10	2,093	-	(6,142)	(4,039)
Comprehensive income for the period					
Profit for the period	-	-	-	29,694	29,694
Actuarial losses on pension scheme	-	-	-	(1,832)	(1,832)
Other pension related movements	-	-	-	(169)	(169)
Other comprehensive income for the period	-	-	-	(2,001)	(2,001)
Total comprehensive income for the period	-	-	-	27,693	27,693
At 27 September 2015	10	2,093	-	21,551	23,654
Comprehensive income for the 52 weeks					
Profit for the 52 weeks	-	-	-	430	430
Actuarial losses on pension scheme	-	-	-	(4,192)	(4,192)
Other comprehensive income for the 52 weeks	-	-	-	(4,192)	(4,192)
Total comprehensive income for the 52 weeks	-	-	-	(3,762)	(3,762)
Loan waiver by parent undertaking	-	-	50,000	-	50,000
At 24 September 2016	10	2,093	50,000	17,789	69,892

INSPIRED GAMING (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 24 SEPTEMBER 2016

1. Accounting policies

1.1 Basis of preparation of financial statements

Inspired Gaming (UK) Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK. The Company is exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the Company as an individual undertaking and not about its group.

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

Information on the impact of first-time adoption of FRS 102 is given in note 32.

Unless otherwise stated, all amounts in the financial statements have been rounded to the nearest £1,000.

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102. The following exemptions have been taken in these financial statements:

- Business combinations – Business combinations that took place prior to 28 September 2014 have not been restated.
- Separate financial instruments – carrying amount of the Company's cost of investment in subsidiaries is its deemed cost at 28 September 2014.

The Company's ultimate parent undertaking at the year end, DMWSL 633 Limited, includes the Company in its consolidated financial statements. In these financial statements, the Company is considered to be a qualifying entity and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling due within the fair value accounting rules of Paragraph 36(4) of Schedule 1 have not been included;
- No separate parent company cash flow statement with related notes is included; and
- Key management personnel compensation has not been included a second time.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. On first time adoption of FRS 102, the Company has not retrospectively changed its accounting under old UK GAAP for accounting estimates.

INSPIRED GAMING (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 24 SEPTEMBER 2016

1. Accounting policies (continued)

1.2 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Revenue is derived principally from the sale and rental of Server Based Gaming ("SBG") terminals and related services, including content provision and servicing, to regulated retail betting outlets, casinos and other gaming operators, and licensing of Virtual Sports gaming software and related services to regulated virtual sports retail, mobile and online operators.

For multiple-deliverable arrangements which include hardware containing software that functions together with the hardware to deliver its essential functionality and undelivered non-software services, deliverables are separated into separately identifiable components when: (i) the delivered element(s) have value to the customer on a stand-alone basis and (ii) delivery of the undelivered element(s) is probable and substantially in the control of the Company.

Revenue is allocated to separately identifiable components based on the relative fair value of each element.

In addition to the general policy, the following are specific revenue recognition policies for our revenue streams:

Server based gaming software and services

Revenue from SBG terminals, access to content and SBG platform, including electronic table gaming products, is usually recognised based upon a contracted percentage of the operator's net winnings from the terminals' daily use. Where this is not the case, revenue is based upon a fixed daily or weekly rental fee. Revenue is recognised from these arrangements on a daily basis over the term of the arrangement, or when not specified over the expected customer relationship period.

Performance obligations under these arrangements may include the delivery and installation of SBG terminals for use over a term, as well as service obligations related to hardware repairs and server based content and maintenance.

Where applicable, upfront fees on SBG arrangements are deferred and recognised on a straight-line basis over the term of the arrangement or when not specified over the expected customer relationship period.

Hardware sales take the form of a transfer of ownership of developed gaming terminals, and are recognised upon delivery.

INSPIRED GAMING (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 24 SEPTEMBER 2016

1. Accounting policies (continued)

Virtual sports

Virtual sports retail revenue, which includes the provision of virtual sports content and services to retail betting outlets, and virtual sports online and mobile revenue, which includes the provision of virtual sports content and services to mobile and online operators, is based upon a contracted percentage of the operator's net winnings or a fixed rental fee. Revenue for these fees is recognised on a daily or weekly basis over the term of the arrangement.

These arrangements typically include a perpetual license billed up front, granted to the customer for access to gaming platform and content. Where further performance obligations remain with respect to these up front licences, revenue from the licensing of perpetual licenses is recognised on a straight-line basis over the term of the arrangement, or when not specified, over the expected customer relationship period.

Revenue from the development of bespoke games licensed on a perpetual basis to mobile and online operators is recognised on delivery and acceptance by the customer. There are no ongoing service obligations subsequent to customer acceptance of our bespoke games.

1.3 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Profit and Loss Account over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

INSPIRED GAMING (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 24 SEPTEMBER 2016

1. Accounting policies (continued)

Expenditure on research and development of new products is charged to the profit and loss account in the period in which it is incurred with the exception of expenditure on the development of certain new product projects where the outcome of those projects is assessed as being reasonably certain as regards viability and technical feasibility. Such expenditure is capitalised as an intangible fixed asset and amortised over a period not exceeding five years from the date of first sale or installation of the product.

The length of the amortisation period applied in respect of development costs reflects the expected commercial life of the new product and is generally between two and five years. The period of amortisation is reviewed annually to ensure that it is still appropriate to the useful economic life of the asset.

Allowances granted in order to secure contracts are capitalised at fair value and amortised over the life of the relevant contract.

1.4 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

Short-term leasehold property-	over the life of the lease
Video Lottery Terminals (VLTs) -	over 4 to 6 years
& related spend	
Plant and machinery and	- over 4 to 8 years
fixtures and fittings	
Computer equipment	- over 3 to 5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Profit and Loss Account.

INSPIRED GAMING (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 24 SEPTEMBER 2016

1. Accounting policies (continued)

1.5 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

1.6 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

1.7 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

1.8 Financial instruments

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Profit and Loss Account.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

INSPIRED GAMING (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 24 SEPTEMBER 2016

1. Accounting policies (continued)

1.8 Financial instruments (continued)

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an 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.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

1.9 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is Sterling.

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 Profit and Loss Account except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within 'administrative expenses'.

1.10 Operating leases

Rentals paid under operating leases are charged to the Profit and Loss Account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The Company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 28 September 2014 to continue to be charged over the period to the first market rent review rather than the term of the lease.

INSPIRED GAMING (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 24 SEPTEMBER 2016**

1. Accounting policies (continued)

1.11 Leasing and hire purchase

Assets obtained under hire purchase contract and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Profit and Loss Account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

INSPIRED GAMING (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 24 SEPTEMBER 2016

1. Accounting policies (continued)

1.12 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Profit and Loss Account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

Defined benefit pension plan

The Company operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the Balance Sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the balance sheet date less the fair value of plan assets at the balance sheet date (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Company's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

- a) the increase in net pension benefit liability arising from employee service during the period; and
- b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as a 'finance expense'.

INSPIRED GAMING (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 24 SEPTEMBER 2016

1. Accounting policies (continued)

The defined benefit plan is closed to new members and future accruals.

1.13 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Profit and Loss Account in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

1.14 Current and deferred taxation

The tax expense for the 52 weeks comprises current and deferred tax. Tax is recognised in the Profit and Loss Account, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

1.15 Related parties

The Company has taken advantage of the exemption afforded by FRS 102 not to disclose details of transactions and balances with other companies that are wholly owned by DMWSL 633 Limited.

INSPIRED GAMING (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 24 SEPTEMBER 2016

2. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires the Company to make estimates and assumptions that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are considered to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are:

Post-retirement benefits: The determination of the pension cost and defined benefit obligation of the Company's defined benefit pension scheme depends on the selection of certain assumptions which include the discount rate, inflation rate, salary growth, mortality and expected return on scheme assets. Differences arising from actual experiences or future changes in assumptions will be reflected in subsequent periods.

3. Turnover

All turnover is attributable to the sale and rental of Server Based Gaming terminals and related services, including content provision and servicing, to regulated retail betting outlets, casinos and other gaming operators, and licensing of Virtual Sports gaming software and related services to regulated virtual sports retail, mobile and online operators.

Analysis of turnover by country of destination:

	24 September 2016 £000	52 weeks ended 26 September 2015 £000
United Kingdom	62,450	61,518
Rest of Europe	6,113	10,783
Rest of the world	4,073	2,748
	<u>72,636</u>	<u>75,049</u>

INSPIRED GAMING (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 24 SEPTEMBER 2016

4. Exceptional non-recurring items

	24 September 2016 £000	52 weeks ended 26 September 2015 £000
Costs of group restructure	509	1,611
Transaction costs	1,476	337
Impairment credit	(133)	-
Italian tax related costs	106	372
Costs relating to former operations	55	190
Legal related costs	255	-
Provision for irrecoverable amount due by group undertaking	997	-
	<u>3,265</u>	<u>2,510</u>

Costs of group restructure relate to one-off costs incurred in restructuring both the workforce and the company organisation structure, resulting in a more streamlined organisation.

Transaction costs incurred in the year relate to preparing the group for sale.

During the year, certain intangible assets and know-how purchased in prior periods were considered to be impaired and were written off accordingly. A related write-back was also made of consideration previously payable in respect of the original purchase resulting in a net credit of £133,000.

Various changes to Italian tax regulation/interpretation have resulted in costs in the year, including associated professional fees and impairment costs. These are deemed to be one off in nature and so are identified separately.

Costs relating to former operations were incurred in respect of businesses previously withdrawn from/disposed of.

A claim from the Performing Rights Society is ongoing and relates to the alleged infringement of copyrighted material of the Performing Rights Society's members in certain games on Fixed Odds Betting Terminals in UK Licensed Betting Offices. The UK bookmaker defendants (who have formed a joint defence group) have filed a defence to the claim. The Group is unable to determine the outcome of the claim and will defend it vigorously. Legal related costs relate to a provision, which management believes to be adequate to cover the total net exposure to the Group.

Amounts owed by a fellow group company have been provided for as irrecoverable due to the existence of plans to liquidate that company which is likely to result in insufficient funds to cover the carrying value of the debt.

INSPIRED GAMING (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 24 SEPTEMBER 2016**

5. Exceptional non-recurring other operating income

	24 September 2016 £000	52 weeks ended 26 September 2015 £000
Waiver of balances owed to fellow group companies	-	36,125

In the prior period, certain amounts owed to fellow group companies were waived by those companies as part of the restructuring exercise as disclosed in note 4.

6. Operating profit

The operating profit is stated after charging:

	24 September 2016 £000	52 weeks ended 26 September 2015 £000
Research & development charged as an expense	150	550
Depreciation of tangible fixed assets	13,151	15,571
Amortisation of intangible assets, including goodwill	7,688	7,094
Impairment of intangible assets	802	-
Exchange differences	(1,191)	160
Operating lease rentals	2,219	1,948
Defined contribution pension cost	1,023	975

INSPIRED GAMING (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 24 SEPTEMBER 2016**

7. Auditors' remuneration

	24 September 2016 £000	52 weeks ended 26 September 2015 £000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>55</u>	<u>52</u>
Fees payable to the Company's auditor and its associates in respect of:		
Audit-related assurance services	70	68
Services relating to corporate finance transactions	<u>510</u>	<u>-</u>

Fees payable to the Company's auditor and its associates in connection with the Company's pension scheme(s) in respect of:

	24 September 2016 £000	52 weeks ended 26 September 2015 £000
Valuation and actuarial services	59	-
All other services	<u>26</u>	<u>375</u>

INSPIRED GAMING (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 24 SEPTEMBER 2016

8. Employees

Staff costs, including directors' remuneration, were as follows:

	24 September 2016 £000	52 weeks ended 26 September 2015 £000
Wages and salaries	28,682	26,030
Social security costs	3,340	3,044
Cost of defined benefit scheme	600	403
Cost of defined contribution scheme	1,023	975
	<u>33,645</u>	<u>30,452</u>

The average monthly number of employees, including the directors, during the 52 weeks was as follows:

	24 September 2016 No.	52 weeks ended 26 September 2015 No.
Field staff	156	170
Design & development	267	233
Digital manufacture	30	37
Management & administration	252	236
Technical	70	74
	<u>775</u>	<u>750</u>

INSPIRED GAMING (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 24 SEPTEMBER 2016

9. Directors' remuneration

	24 September 2016 £000	52 weeks ended 26 September 2015 £000
Directors' emoluments	1,081	662
Company contributions to defined contribution pension schemes	129	69
	<u>1,210</u>	<u>731</u>

During the 52 weeks retirement benefits were accruing to 4 directors (2015 - 4) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £324,000 (2015 - £280,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £38,000 (2015 - £38,000).

10. Interest receivable

	24 September 2016 £000	52 weeks ended 26 September 2015 £000
Interest receivable from group companies	1	-
Currency exchange gains	55	430
Other interest receivable	1	13
	<u>57</u>	<u>443</u>

INSPIRED GAMING (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 24 SEPTEMBER 2016

11. Interest payable and similar charges

	24 September 2016 £000	52 weeks ended 26 September 2015 £000
Bank interest payable	18	-
Currency exchange losses	120	-
Loans from group undertakings	-	2,478
Finance leases and hire purchase contracts	13	17
Other interest payable	104	-
	<u>255</u>	<u>2,495</u>

12. Other finance costs

	24 September 2016 £000	52 weeks ended 26 September 2015 £000
Net interest on net defined benefit liability	(91)	(81)

INSPIRED GAMING (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 24 SEPTEMBER 2016**

13. Taxation

	24 September 2016 £000	52 weeks ended 26 September 2015 £000
Foreign tax		
Foreign tax on income for the year	161	61
Foreign tax in respect of prior periods	13	-
	<u>174</u>	<u>61</u>
Total current tax	<u>174</u>	<u>61</u>
Deferred tax		
Origination and reversal of timing differences	1,092	6,093
Changes to tax rates	2,105	331
	<u>3,197</u>	<u>6,424</u>
Taxation on profit on ordinary activities	<u>3,371</u>	<u>6,485</u>

INSPIRED GAMING (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 24 SEPTEMBER 2016**

13. Taxation (continued)

Factors affecting tax charge for the 52 weeks/period

The tax assessed for the 52 weeks/period is lower than (2015 - lower than) the standard rate of corporation tax in the UK of 20% (2015 - 20.5%). The differences are explained below:

	24 September 2016 £000	52 weeks ended 26 September 2015 £000
Profit on ordinary activities before tax	3,800	37,451
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.5%)	760	7,677
Effects of:		
Higher rate taxes on overseas earnings	174	61
Rate changes	2,105	261
Expenses not deductible for tax purposes	739	(6,432)
Group relief	(1,827)	4,031
Transfer pricing adjustments	(311)	(1,515)
Deferred tax asset not recognised	1,731	2,402
Total tax charge for the 52 weeks/period	3,371	6,485

INSPIRED GAMING (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 24 SEPTEMBER 2016**

13. Taxation (continued)

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 24 September 2016 has been calculated based on these rates.

The Company did not recognise the deferred tax asset in respect of the following items on the basis that future economic benefit is uncertain:

	24 September 2016 £000	26 September 2015 £000
Accelerated capital allowances	13,539	6,216
Non-trade losses	444	320
Trading losses	1,619	2,968
Capital losses	1,106	1,301
	<u>16,708</u>	<u>10,805</u>

INSPIRED GAMING (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 24 SEPTEMBER 2016**

14. Intangible assets

	Develop- ment £000	Contract allowance £000	Goodwill £000	Total £000
Cost				
At 27 September 2015	44,724	6,573	13,795	65,092
Additions	15,529	-	-	15,529
Disposals	(256)	-	-	(256)
Transfers between classes	(892)	-	-	(892)
At 24 September 2016	<u>59,105</u>	<u>6,573</u>	<u>13,795</u>	<u>79,473</u>
Amortisation				
At 27 September 2015	24,722	2,844	6,049	33,615
Charge for the year	5,355	1,643	690	7,688
On disposals	(189)	-	-	(189)
Impairment charge	802	-	-	802
At 24 September 2016	<u>30,690</u>	<u>4,487</u>	<u>6,739</u>	<u>41,916</u>
Net book value				
At 24 September 2016	<u>28,415</u>	<u>2,086</u>	<u>7,056</u>	<u>37,557</u>
At 26 September 2015	<u>20,002</u>	<u>3,729</u>	<u>7,746</u>	<u>31,477</u>

Assets with a net book value of £802,000 (2015 - £43,000) have been impaired in the period following a review of project viability and technical feasibility.

INSPIRED GAMING (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 24 SEPTEMBER 2016**

15. Tangible fixed assets

	Short-term leasehold property £000	VLTs & related spend £000	Plant & machinery, fixtures & fittings, computer equipment £000	Total £000
Cost or valuation				
At 27 September 2015	406	82,136	5,812	88,354
Additions	-	1,414	1,009	2,423
Disposals	-	(5,831)	(1)	(5,832)
Transfers between classes	-	914	-	914
At 24 September 2016	406	78,633	6,820	85,859
Depreciation				
At 27 September 2015	319	42,949	3,956	47,224
Charge for the period on owned assets	37	12,224	750	13,011
Charge for the period on financed assets	-	-	140	140
Disposals	-	(5,502)	-	(5,502)
At 24 September 2016	356	49,671	4,846	54,873
Net book value				
At 24 September 2016	50	28,962	1,974	30,986
At 26 September 2015	87	39,187	1,856	41,130

INSPIRED GAMING (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 24 SEPTEMBER 2016**

15. Tangible fixed assets (continued)

The net book value of land and buildings may be further analysed as follows:

	24	26
	September	<i>September</i>
	2016	2015
	£000	£000
Short leasehold	50	87

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	24	26
	September	<i>September</i>
	2016	2015
	£000	£000
Computer equipment	240	219

16. Fixed asset investments

	Investments in subsidiary companies £000
Cost or valuation	
At 27 September 2015	20,083
At 24 September 2016	20,083
Net book value	
At 24 September 2016	20,083
At 26 September 2015	20,083

INSPIRED GAMING (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 24 SEPTEMBER 2016**

16. Fixed asset investments (continued)

Subsidiary undertakings

Revolution Entertainment Systems Holdings Limited
Revolution Entertainment Systems Limited *
Revolution Entertainment Systems (2) Limited *
MAM Services Limited
Leisure Link Electronic Entertainment Limited
Kossway Automatics Western
Hargreaves Limited
Sescomatics
Inspired Technology (UK) Limited
Inn Style Leisure
115CR Limited *
Inspired Gaming (Ventures) Limited
Inspired Gaming Spain S L
Inspired Gaming (Colombia) Limited
Inspired Gaming (Greece) Limited
Inspired Gaming Mexico S. de RL. de CV
Inspired Gaming (Gibraltar) Limited
Inspired Gaming (Italy) Limited
Inspired Gaming Limited
Inspired Broadcast Networks Limited
Inspired Gaming (USA) Inc

* Held by a subsidiary of the Company

All subsidiary undertakings are wholly owned with the exception of Inspired Gaming Mexico S. de RL. de CV which is 99% owned. All holdings are of ordinary shares, with the exception of Sescomatics where both ordinary and deferred shares are held.

All subsidiary companies are incorporated in England and Wales with the exception of Inspired Gaming Spain S L, Inspired Gaming Mexico S. de RL. de CV, Inspired Gaming (Gibraltar) Limited and Inspired Gaming (USA) Inc which are incorporated in Spain, Mexico, Gibraltar and the USA respectively.

INSPIRED GAMING (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 24 SEPTEMBER 2016

17. Stocks

	24 September 2016 £000	26 September 2015 £000
Raw materials and consumables	4,846	4,274
Finished goods and goods for resale	1,182	1,227
	<u>6,028</u>	<u>5,501</u>

Stock recognised in cost of sales during the 52 weeks as an expense was £2,049,000 (2015 - £4,176,000).

An impairment loss of £119,000 (2015 - £170,000) was recognised in cost of sales against stock during the 52 weeks due to slow-moving and obsolete stock.

18. Debtors

	24 September 2016 £000	26 September 2015 £000
Due after more than one year		
Deferred tax asset	<u>11,134</u>	<u>13,524</u>
Due within one year		
Trade debtors	9,914	10,825
Amounts owed by group undertakings	117,345	109,901
Other debtors	66	64
Prepayments and accrued income	11,629	10,791
Deferred taxation	181	322
	<u>139,135</u>	<u>131,903</u>

INSPIRED GAMING (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 24 SEPTEMBER 2016**

19. Cash and cash equivalents

	24	26
	September	September
	2016	2015
	£000	£000
Cash at bank and in hand	790	2,010

20. Creditors: Amounts falling due within one year

	24	26
	September	September
	2016	2015
	£000	£000
Trade creditors	13,232	11,248
Amounts owed to group undertakings	129,314	179,670
Corporation tax	898	780
Other taxation and social security	4,663	3,903
Obligations under finance lease and hire purchase contracts	160	86
Accruals and deferred income	13,976	13,112
Financial instruments	9	211
	162,252	209,010

Financial instruments comprise derivative financial liabilities measured at fair value through profit or loss, being contracts to purchase foreign currency at specified rates during specified future periods. Fair value is based on the difference between actual rates and broker quotes for rates for the equivalent deals outstanding at the balance sheet date.

INSPIRED GAMING (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 24 SEPTEMBER 2016**

21. Creditors: Amounts falling due after more than one year

	24 September 2016 £000	26 September 2015 £000
Net obligations under finance leases and hire purchase contracts	127	125
Accruals and deferred income	6,570	8,536
	<u>6,697</u>	<u>8,661</u>

Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	24 September 2016 £000	26 September 2015 £000
Between one and five years	<u>127</u>	<u>125</u>

INSPIRED GAMING (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 24 SEPTEMBER 2016**

22. Financial instruments

	24 September 2016 £000	26 September 2015 £000
Financial assets		
Financial assets that are debt instruments measured at amortised cost	8,397	12,835
	8,397	12,835
Financial liabilities		
Derivative financial instruments measured at fair value through profit or loss held as part of a trading portfolio	(9)	(211)
Financial liabilities measured at amortised cost	(11,212)	(11,459)
	(11,221)	(11,670)

Financial assets that are debt instruments measured at amortised cost comprise cash and trade debtors.

Derivative financial liabilities measured at fair value through profit or loss held as part of a trading portfolio comprise contracts to purchase foreign currency at specified rates during specified future periods.

Financial liabilities measured at amortised cost comprise trade creditors and net obligations under finance leases and hire purchase contracts.

23. Deferred taxation

	2016 £000	2015 £000
At beginning of year	13,846	19,808
Charged to profit or loss	(3,197)	(6,420)
Credited to other comprehensive income	666	458
At end of year	11,315	13,846

INSPIRED GAMING (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 24 SEPTEMBER 2016

23. Deferred taxation (continued)

The deferred tax asset is made up as follows:

	24 September 2016 £000	26 September 2015 £000
Accelerated capital allowances	10,092	12,883
Defined benefit pension scheme	1,042	641
Short term timing differences	181	322
	<u>11,315</u>	<u>13,846</u>

24. Provisions

	Onerous lease costs and dilapi- dations £000
At 27 September 2015	1,099
Utilised in 52 weeks	(358)
At 24 September 2016	<u>741</u>

The Company has a number of occupied and of vacant and sub let properties. Provisions represent costs expected to be borne in respect of lease rentals and dilapidation costs. The majority of the provision represents dilapidations costs which is expected to be mainly utilised during the period to September 2020.

25. Share capital

	24 September 2016 £	26 September 2015 £
Shares classified as equity		
Allotted, called up and fully paid		
230,950 Ordinary A shares of £0.01 each	2,310	2,310
476,690 Ordinary B shares of £0.01 each	4,767	4,767
322,481 Ordinary C shares of £0.01 each	3,225	3,225
	<u>10,302</u>	<u>10,302</u>

INSPIRED GAMING (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 24 SEPTEMBER 2016**

25. Share capital (continued)

Each Ordinary A, B and C share is entitled to one vote and is entitled pari-passu to dividend payments or other distributions including a distribution arising from any winding up of the Company.

26. Reserves

Share premium account

Amounts in the share premium account represent monies received for shares in excess of par value.

Other reserves

During the year, the Company's immediate parent, Inspired Gaming (Holdings) Limited, waived amounts due by the Company amounting to £50m. The capital contribution reserve represents the resulting capital contribution made by the parent.

Profit and loss account

This reserve represents accumulated realised profits and losses of the company.

27. Contingent liabilities

One of the Company's parent undertakings has a revolving credit facility at the period end. The facility is secured by a composite guarantee in favour of Ares Management Limited and Lloyds Bank PLC, and a fixed and floating charge in favour of Ares Management Limited over all or substantially all of the property and assets of the Company. At the period end, secured liabilities amounted to £80,942,000 (2015 - £77,295,000).

INSPIRED GAMING (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 24 SEPTEMBER 2016

28. Pension commitments

The Company operates Defined Contribution Pension Schemes. The assets of the schemes are held separately from those of the Company in independently administered funds. The total expense relating to these Schemes is disclosed in note 6.

The Company operates a Defined Benefit Pension Scheme.

The scheme provides both pensions in retirement and death benefits to members. Pension benefits are related to members' final salary at retirement and their length of service.

Since 31 March 2010 the scheme has been closed to future accrual. A full actuarial valuation was carried out as at 31 March 2015 and updated to 24 September 2016 by Punter Southall & Co, an independent qualified actuary. The disclosures provided are in respect of the 24 September 2016 valuation.

Reconciliation of present value of plan liabilities:

	24 September 2016 £000	26 September 2015 £000
At the beginning of the year	64,744	61,573
Interest cost	2,614	2,550
Actuarial losses	15,111	2,357
Benefits paid	(2,012)	(1,736)
At the end of the year	80,457	64,744

Reconciliation of present value of plan assets:

	24 September 2016 £000	26 September 2015 £000
At the beginning of the year	61,538	58,593
Current service cost	(600)	(403)
Interest income	2,523	2,469
Return on assets, excluding interest income	10,253	67
Contributions	2,625	2,548
Benefits paid	(2,012)	(1,736)
At the end of the year	74,327	61,538

INSPIRED GAMING (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 24 SEPTEMBER 2016**

28. Pension commitments (continued)

Composition of plan assets:

	24	26
	September	September
	2016	2015
	£000	£000
Equity and property	25,473	20,562
Gilts	4,533	3,876
Corporate bonds	13,168	9,270
Buy-in contract	30,672	27,329
Cash	481	501
Total plan assets	74,327	61,538
	24	26
	September	September
	2016	2015
	£000	£000
Fair value of plan assets	74,327	61,538
Present value of plan liabilities	(80,457)	(64,744)
Net pension scheme liability	(6,130)	(3,206)

The amounts recognised in profit or loss are as follows:

	24	26
	September	September
	2016	2015
	£000	£000
Interest on obligation	(91)	(81)
Past service cost	(600)	(403)
Total	(691)	(484)
Actual return on scheme assets	12,776	2,536

The cumulative amount of actuarial gains and losses recognised in the Statement of Comprehensive Income was £4,858,000 (2015 - £2,290,000).

The Company expects to contribute £2,584,000 to its Defined Benefit Pension Scheme in the period to 30 September 2017. Further contributions expected to be made comprise £2,445,000, £2,300,000, £2,300,000 and £1,517,000 in the years to 30 September 2018, 30 September 2019, 30 September 2020 and 30 September 2021 respectively.

INSPIRED GAMING (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 24 SEPTEMBER 2016**

28. Pension commitments (continued)

Principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages):

	2016	2015
	%	%
Discount rate	2.60	4.10
Inflation assumptions (RPI)	3.10	3.30
Inflation assumptions (CPI)	2.10	2.30
Rate of LPI max 5% p.a. increase in pensions in payment	3.00	3.20
Rate of LPI max 2.5% p.a. increase in pensions in payment	2.20	2.20
Mortality rates		
- for a male aged 65 now	21.2	21.5
- at 65 for a male member aged 45 now	22.4	22.9
- for a female aged 65 now	23.8	24.3
- at 65 for a female member aged 45 now	25.3	25.8

INSPIRED GAMING (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 24 SEPTEMBER 2016**

29. Commitments under operating leases

At 24 September 2016 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	24 September 2016 £000	26 September 2015 £000
Land and buildings		
Not later than 1 year	1,077	869
Later than 1 year and not later than 5 years	2,787	2,989
Later than 5 years	53	164
	<u>3,917</u>	<u>4,022</u>
	24 September 2016 £000	26 September 2015 £000
Other		
Not later than 1 year	801	673
Later than 1 year and not later than 5 years	1,192	1,981
Later than 5 years	-	12
	<u>1,993</u>	<u>2,666</u>

30. Related party transactions

	24 September 2016 £000	26 September 2015 £000
Loxley Strategic Consulting Limited	(178)	(144)
Openbet Retail Limited	1,357	1,571
Openbet Retail Limited	116	124
Consultancy payable		
Fees receivable		
Trade debtors		

Loxley Strategic Consulting Limited is a company under the control of a director of DMWSL 633 Limited.

INSPIRED GAMING (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 24 SEPTEMBER 2016

31. Controlling party

At the period end, the Company's immediate parent company was Inspired Gaming (Holdings) Limited.

The largest and smallest group into which these financial statements are consolidated are headed by DMWSL 633 Limited and Inspired Gaming Group Limited respectively.

At the period end, issued share capital of DMWSL 633 Limited was ultimately held by VIP I Nominees Limited, as nominee for and on behalf of investors in The Vitruvian Investment Partnership I. The Vitruvian Investment Partnership I is managed by Vitruvian Partners LLP and was deemed to be the ultimate controlling party.

On 23 December 2016, all shares in DMWSL 633 Limited were acquired by Hydra Industries Acquisition Corp, which subsequently changed its name to Inspired Entertainment Inc, and is now considered to be the ultimate controlling party.

Group financial statements can be obtained from the Company Secretary at 3 The Maltings, Wetmore Road, Burton on Trent, DE14 1SE.

INSPIRED GAMING (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 24 SEPTEMBER 2016**

32. First time adoption of FRS 102

The Company transitioned to FRS 102 from previously extant UK GAAP as at 28 September 2014. The impact of the transition to FRS 102 is as follows:

	As previously stated 28 September 2014 £000	Effect of transition 28 September 2014 £000	FRS 102 (as restated) 28 September 2014 £000	As previously stated 26 September 2015 £000	Effect of transition 26 September 2015 £000	FRS 102 (as restated) 26 September 2015 £000
Note						
Fixed assets	89,554	-	89,554	92,690	-	92,690
Current assets	152,535	2,886	155,421	152,792	146	152,938
Creditors: amounts falling due within one year	(70,624)	(164,622)	(235,246)	(45,533)	(163,478)	(209,011)
Net current liabilities	81,911	(161,736)	(79,825)	107,259	(163,332)	(56,073)
Total assets less current liabilities	171,465	(161,736)	9,729	199,949	(163,332)	36,617
Creditors: amounts falling due after more than one year	(158,692)	149,210	(9,482)	(158,623)	149,963	(8,660)
Provisions for liabilities	(3,691)	(596)	(4,287)	(3,664)	(641)	(4,305)
Net (liabilities)/assets	9,082	(13,122)	(4,040)	37,662	(14,010)	23,652
Capital and reserves	9,082	(13,122)	(4,040)	37,662	(14,010)	23,652

INSPIRED GAMING (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE 52 WEEKS ENDED 24 SEPTEMBER 2016**

32. First time adoption of FRS 102 (continued)

	As previously stated 26 September 2015 £000	Effect of transition 26 September 2015 £000	FRS 102 (as restated) 26 September 2015 £000
Note			
Turnover	74,928	121	75,049
Cost of sales	(13,747)	(694)	(14,441)
	61,181	(573)	60,608
Administrative expenses	(57,704)	(403)	(58,107)
Other operating income	36,125	-	36,125
Fair value movements	-	(315)	(315)
Operating profit	39,602	(1,291)	38,311
Interest receivable and similar income	443	-	443
Interest payable and similar charges	(2,494)	-	(2,494)
Other finance costs	(99)	18	(81)
Taxation	(6,575)	90	(6,485)
Profit on ordinary activities after taxation and for the financial period	30,877	(1,183)	29,694

Explanation of changes to previously reported profit and equity:

The Company was not previously required to recognise foreign exchange forward contracts as financial instruments on the balance sheet. Instead the effects of the contracts were recognised in the profit and loss account when the instruments were settled. Foreign exchange forward contracts are recognised under FRS 102 as a financial asset or a financial liability, at fair value, when an entity becomes party to the contractual provisions of the instrument. Consequently, a financial asset of £103,000 has been recognised in the opening balance sheet at 28 September 2014, and a financial liability of £211,000 has been recognised in the balance sheet as at 26 September 2015. Foreign exchange contracts are remeasured to fair value with gains or losses from changes in fair value recognised in the profit and loss account.

INSPIRED GAMING (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 24 SEPTEMBER 2016

32. First time adoption of FRS 102 (continued)

FRS 102 contains different requirements in respect of the measurement and valuation of defined benefit pension schemes to prior UK GAAP. It replaces the calculation of the expected return on assets with interest on the net balance sheet position using the discount rate. It also requires that ongoing costs of administration be recognised as a component of administrative expenses within the profit and loss account and that any deferred tax relating to the balance be shown separately as a component of deferred tax, as opposed to netted off the pension balance. There are no changes to value of the overall liability at 28 September 2014 or 26 September 2015 as a result of this, other than reclassifying the deferred tax, however, £403,000 has been recognised as an administrative expense, other finance costs have reduced by £18,000 and the deferred taxation charge has decreased by £90,000 with the corresponding increase of £295,000 recognised in other comprehensive income during the year to 26 September 2015. £596,000 and £641,000 of deferred tax assets are created at 28 September 2014 and 26 September 2016 respectively, with a corresponding increase in the pension liability.

FRS 102 permits an entity to change its accounting policy if the new policy results in the financial statements providing reliable or more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows. Whilst this requirement is not unchanged from prior UK GAAP, the Company has taken the opportunity of a new GAAP to review its policies and ensure that they remain most suited to its circumstances. As a result of this review, a change has been made to the policy for recognising revenue billed upfront and revenue treated as under a bill and hold arrangement. Previously such revenue was recognised upfront, however, under FRS 102 it is considered that either further performance obligations remain with the Group or insufficient evidence exists to support the bill and hold treatment. As a result this revenue is now recognised on a straight line basis over the term of the arrangement or, when not specified, over the expected customer relationship period, or, in the case of revenue previously accounted for as bill and hold, in the period in which the goods are delivered. Consequently, in the opening balance sheet at 28 September 2014, stock has increased by £1,156,000, the bad debt provision has decreased by £1,032,000, and deferred revenue liabilities are created, £6,124,000 due in less than one year and £9,288,000 due in more than one year. At 26 September 2015, stock has increased by £213,000, the bad debt provision has decreased by £1,046,000, accrued income has decreased by £1,752,000 and deferred revenue liabilities are created, £4,769,000 due in less than one year and £8,535,000 due in more than one year. In the year to 26 September 2015, turnover increases by £122,000 and cost of sales increases by £694,000.

FRS 102 requires that financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Whilst this requirement is not unchanged from prior UK GAAP, the Group has taken the opportunity of a new GAAP to review the presentation of its financial statements and to ensure that they are presented as fairly as possible. As a result of this, the Group has reclassified all balances with group undertakings as falling due within one year. Previously certain amounts were classified as falling due after more than one year. Amounts reclassified owed to group undertakings amounted to £158,498,000 at 27 September 2014 and 26 September 2015 respectively. This is a classification adjustment only, and there are no impacts on equity or profit or loss as a result.