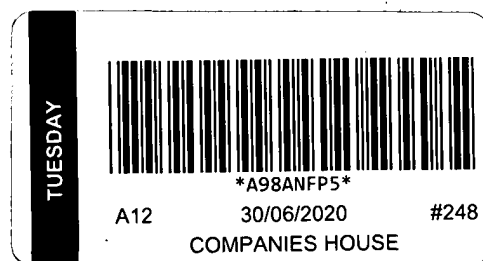


Registration number: 06712030

OpenBet Technologies Limited

Annual Report and Consolidated Financial Statements

For the year ended 31 December 2018



OpenBet Technologies Limited

Financial Statements

For the year ended 31 December 2018

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OpenBet Technologies Limited

Officers and Professional Advisers

For the year ended 31 December 2018

Directors	M Quartieri P Phillips
Company secretary	M Quartieri
Registered office	Fourth Floor Building 9, Chiswick Park 566 Chiswick High Road London W4 5XT
Independent Auditor	Deloitte LLP Statutory Auditor 1 City Square Leeds LS1 2AL

OpenBet Technologies Limited

Strategic Report (continued)

For the year ended 31 December 2018

The Directors presents their strategic report for the year ended 31 December 2018. The Group as discussed within the Strategic Report and the rest of the financial statements is formed of ten subsidiaries based in the UK and abroad. The subsidiaries of the group have been presented in more detail within note 14 of the financial statements.

Fair review of the business

During the year the Group continued with enhancements to the OpenBet platform and products. This will deliver a service based, computerised software solution, capable of providing the flexibility and scalability necessary to meet the future growth of the most demanding operators. Where appropriate the cost of development has been capitalized. It is envisaged that the delivery of these product enhancements will take place over several years and will be developed in close collaboration with our customers. As a result of delivering these product enhancements, it is likely that the Group's business model will shift more towards a service based offering.

The Group's key financial and other performance indicators during the period were as follows:

	2018 £ 000	2017 £ 000
Turnover	71,347	75,697
Profit before Tax	5,432	9,221
Equity Shareholder's deficit	(88,729)	(104,327)
Average number of employees	796	671

The Group turnover decreased during the year ended 31 December 2018 compared to the year ended 31 December 2017 due to decreased revenue from existing customers, as a result of large one off projects performed in the prior period which were not repeated. There has also been a slight increase in costs as the group continues to invest in the future business, and an increase in the headcount across all lines of the business, resulting in a reduction in operating profit. The group considers the fall in operating profit to be short term and expects growth in this metric going forward.

Following the adoption of the new IFRS15 reporting standards, the shareholders deficit reduced by £9,912,000 upon recognition of revenue in relation to prior years for which certain performance obligations are deemed to have been previously met. This has been discussed in detail within note 2 of this annual report.

During the period, management has continued to realign the Group's activities and is working closely with other members of the OpenBet Group to develop the customer base and further enhance the Group's products and technologies.

Principal risks and uncertainties

The principal risk facing the Group is that its technologies will not be retained by its customers and that new technologies will not be accepted.

The Group does not operate as a bookmaker. However, the Group's products are betting and gaming applications supplied to bookmakers. Its customers are therefore subject to regulation in the jurisdictions in which they offer their services. This may involve the independent certification of the Group's hardware and software. The current regulations, which differ from jurisdiction to jurisdiction, and any future changes in such regulations, may affect the Group's ability to sell technologies and services related to betting and gaming.

Other risks impacting the Group related to cash flow risk, credit risk and liquidity risk.

Cash flow risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. When necessary, the Group uses foreign exchange forward contracts and interest rate swap contracts to hedge these exposures. Interest bearing assets and liabilities are held at fixed rate to ensure certainty of cash flows

OpenBet Technologies Limited

Strategic Report (continued)

For the year ended 31 December 2018

Credit risk

The Group's principal financial assets are bank balances and cash, trade and other receivables, and investments. The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the Statement of Financial Position are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

In order to maintain liquidity to ensure sufficient funds are available for ongoing operations and future developments, the Company utilises available resources provided within the Group. Effective cashflow forecasting allows for the provision of Group resources for any significant cash outflows that could not be covered by the Company individually.

Important events since the year end

With the recent and rapid development of the Coronavirus disease (COVID-19) outbreak the world economy entered into an unprecedented health care crisis that has already caused considerable global disruption in business activities and everyday life. Many countries have adopted extraordinary and economically costly containment measures. Certain countries have required companies to limit or even suspend normal business operations. Governments, including United Kingdom, have implemented restrictions on travelling as well as strict quarantine measures.

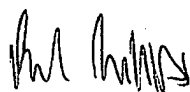
Industries such as tourism, hospitality and entertainment are expected to be directly disrupted significantly by these measures. The financial effect of the current crisis on the global economy and overall business activities cannot be estimated with reasonable accuracy at this stage, due to the pace at which the outbreak expands and the high level of uncertainties arising from the inability to reliably predict the outcome.

The event is considered as a non-adjusting event and is therefore not reflected in the recognition and measurement of the assets and liabilities in the financial statements as at 31 December 2018.

Brexit

The impact of Brexit on the company is not yet known, however senior management has considered a range of potential impacts of Brexit on the Company and the group as a whole. Whilst there are potential risks to the Company from adverse changes in tax and other interactions with UK law, management considers the group and the Company to have adequate resources and to be sufficiently flexible to respond to any risks or opportunities resulting from any Brexit outcome.

Approved by the Board 26 June 2020 and signed on its behalf by:



P Phillips
Director

OpenBet Technologies Limited

Directors' Report (continued)

For the year ended 31 December 2018

The Directors present their annual report and the audited consolidated financial statements for year ended 31 December 2018 for OpenBet Technologies Limited (the "Company").

Directors of the Company

The Directors, who held office during the year and subsequently up to the date of this report except as noted, were as follows:

S Brown (resigned 28 February 2018)
M Davey (resigned 31 July 2018)
E Matejevich (resigned 28 February 2018)
J Levin (appointed 8 February 2019, resigned 1 March 2020)
M Quartieri (appointed 28 February 2018)
P Phillips (appointed 1 March 2020)

Principal activity

The principal activity of the Group is the development and supply of software and services for use as betting applications.

Dividends

The Directors have not recommended a final dividend payment in respect of the financial period ended 31 December 2018 (2017: £nil).

Political donations

The Group made no political donations during the period (2017: £nil).

Charitable donations

The Group made charitable donations of £29,018 during the period (2017: £1,450).

Going concern

The Group has net current liabilities of £115,599,000 (2017: £124,886,000). Excluding amounts due to/from related parties the Group has net assets of £52,733,000 (2017: £34,349,000). The Directors have reviewed the forecast of the Group's activities for a period of at least 12 months from the signing of the Statement of Financial Position. Taking into account current market conditions, volatility and the impact of COVID-19 on the Group's activities, the Directors are satisfied that the Group has adequate resources to continue in business for the foreseeable future.

The Directors have also received a letter of support provided by the Group's ultimate parent undertaking. The Directors have reviewed forecasts, at both an entity and group level, and whilst it is recognised that COVID-19 will have an adverse impact on future profitability and cash flow, it is satisfied of their ability to continue to support the Group.

For this reason, the directors continues to adopt the going concern basis in preparing the Financial Statements.

Principal risks and uncertainties

This is detailed in the Strategic Report on page 4.

Disclosure of information to the auditor

The Directors confirms that:

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

OpenBet Technologies Limited

Directors' Report (continued)

For the year ended 31 December 2018

Employment of disabled persons

The Group gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion. Where existing employees become disabled, it is the Group's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Employee involvement

The Group operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2005. During the year, the policy of providing employees with information, including information relating to the economic and financial factors affecting the performance of the Group, has been continued through regular new updates in which employees have also been encouraged to present their suggestions and views on the Group's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas. Employees participate directly in the success of the business through the Group's profit sharing schemes.

Future developments

The Group intends to continue operating in the area of software development for gaming products, achieving synergies within the new Group structure and maximising the benefits of any market opportunities that arise. In the first two quarters of 2020, conditions in the Group were impacted by the worldwide transmission of a new Coronavirus, the impact of this external event is not yet clear and has been discussed in detail within note 28 of the annual report.

Auditor

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

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

This confirmation is given and should be interpreted in accordance with the provisions of s.418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board on 26 June 2020 and signed on its behalf by:



P Phillips
Director

OpenBet Technologies Limited

Statement of Directors' Responsibilities

For the year ended 31 December 2018

Directors' responsibilities statement

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

Company law requires the director to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the parent company 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.

In preparing the group financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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.

OpenBet Technologies Limited

Independent Auditor's report to the members of OpenBet Technologies Limited

For the year ended 31 December 2018

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Openbet Technologies Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2018 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and parent company statements of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 36.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

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 group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (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 are required by ISAs (UK) to report in respect of the following matters where:

- the director's use of the going concern basis of accounting in 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 group's or the parent 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.

We have nothing to report in respect of these matters.

OpenBet Technologies Limited

Independent Auditor's report to the members of OpenBet Technologies Limited

(continued)

For the year ended 31 December 2018

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 respect of these matters.

Responsibilities of directors

As explained more fully in the director's responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the director determines 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 group's and the parent 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 director either intends to liquidate the group or the parent company or to cease operations, or has 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the director's report.

OpenBet Technologies Limited

Independent Auditor's report to the members of OpenBet Technologies Limited

(continued)

For the year ended 31 December 2018

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

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



Matthew Hughes BSc (Hons) A.C.A. (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Leeds, United Kingdom

26 June 2020

OpenBet Technologies Limited

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

	Note	2018 £000	2017 £000
Revenue	5	71,347	75,697
Cost of sales		(19,450)	(2,745)
Gross profit		51,897	72,952
Administrative expenses		(38,494)	(51,779)
Operating profit		13,403	21,173
Interest payable and similar charges	9	(7,971)	(11,952)
Profit before tax		5,432	9,221
Tax on profit	10	152	(1,254)
Profit for the year		5,584	7,967

The above results were derived from continuing operations.

There were no items of other comprehensive income or expense other than those included in the Statement of Comprehensive Income.


OpenBet Technologies Limited

Consolidated Statement of Financial Position

As at the year ended 31 December 2018

	Note	2018 £ 000	2017 £ 000
Non-current assets			
Goodwill	11	8,575	8,575
Intangible assets	12	13,062	9,688
Tangible assets	13	4,660	1,625
Deferred tax asset	17	973	1,131
		<u>27,270</u>	<u>21,019</u>
Current assets			
Inventories	15	48	68
Trade and other receivables	16	42,020	108,347
Cash and bank balances		4,496	6,490
		<u>46,564</u>	<u>114,905</u>
Total assets		<u>73,834</u>	<u>135,924</u>
Current liabilities			
Trade and other payables	18	(159,226)	(234,689)
Current tax liabilities		(1,582)	(3,089)
Deferred revenue	24	(1,355)	(2,013)
		<u>(162,163)</u>	<u>(239,791)</u>
Total assets less current liabilities		<u>(88,329)</u>	<u>(103,867)</u>
Provisions	19	(400)	(460)
Net liabilities		<u>(88,729)</u>	<u>(104,327)</u>
Equity			
Share capital	20	18,500	18,500
Share premium account	21	1	1
Merger reserve		(163,892)	(163,892)
Capital contribution reserve		14,267	14,267
Retained earnings		42,395	26,797
Net deficit		<u>(88,729)</u>	<u>(104,327)</u>

These financial statements were approved by the Board on 26 June 2020 and signed on its behalf by:



P Phillips
Director

OpenBet Technologies Limited
Consolidated Statement of Changes in Equity
For the year ended 31 December 2018

	Note	Share capital £ 000	Share premium account £ 000	Merger reserve £ 000	Capital Contribution reserve £ 000	Profit and loss account £ 000	Total £ 000
Balance at 1 January 2017	20	18,500	1	(163,892)	14,267	18,940	(112,184)
Profit for the year		-	-	-	-	7,967	7,967
Total comprehensive income for the year		-	-	-	-	7,967	7,967
Foreign exchange differences arising on consolidation		-	-	-	-	(110)	(110)
Balance at 31 December 2017		18,500	1	(163,892)	14,267	26,797	(104,327)
Adjustment on initial application of IFRS 15	2	-	-	-	-	9,912	9,912
Balance at 31 December 2017 as restated		18,500	1	(163,892)	14,267	36,709	(94,415)
Profit for the year		-	-	-	-	5,584	5,584
Total comprehensive income for the year		-	-	-	-	5,584	5,584
Foreign exchange differences arising on consolidation		-	-	-	-	102	102
Balance at 31 December 2018		18,500	1	(163,892)	14,267	42,395	(88,729)

OpenBet Technologies Limited

Consolidated Cash Flow Statement

For the year ended 31 December 2018

	Note	2018 £ 000	2017 £ 000
Net cash from operating activities	22	11,314	3,008
Investing activities			
Purchases of property, plant and equipment		(3,623)	(561)
Capitalised intangible assets		(9,685)	(5,071)
Net cash used in investing activities		(13,308)	(5,632)
Net decrease in cash and cash equivalents		(1,994)	(2,624)
Cash and cash equivalents at beginning of year		6,490	9,114
Cash and cash equivalents at end of year		4,496	6,490

OpenBet Technologies Limited

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

1. General information

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

The address of its registered office is:

Fourth Floor
Building 9, Chiswick Park
566 Chiswick High Road
London
W4 5XT

2. Adoption of new and revised standards

New and revised IFRSs in issue but not yet effective

At the date of authorisation of these financial statements, The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective and in some cases had not yet been adopted by the EU:

IFRS 16	<i>Leases</i>
IFRS 2 (amendments)	<i>Classification and Measurement of Share-based Payment Transactions</i>
IAS 7 (amendments)	<i>Disclosure Initiative</i>
IAS 12 (amendments)	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
IFRS 10 and IAS 28 (amendments)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>

The Group has considered the impact the new standards listed above and has identified that IFRS 16 will have an impact on the financial statements.

IFRS 16 *Leases* is effective for periods on or after 1 January 2019. Adoption will result in the Company recognising right of use assets and lease liabilities it currently classifies as operating leases as presented in note 23. Following due consideration management has made an assessment of the leases it holds and considered potential leases which will require recognition under the new accounting standards. From the leases identified it is clear that both assets and liabilities will increase by a material amount, however the net financial position will not change materially.

New standards, interpretations and amendments effective from 1 January 2018

There are a number of standards and interpretations which have been issued by the International Accounting Standards Board that are effective from 1 January 2018. The most significant of these are:

- IFRS 9 Financial Instruments which is effective for periods beginning on or after 1 January 2018 and;
- IFRS 15 Revenue from Contracts with Customers for period beginning on or after 1 January 2018.

Details of the impact on the 2018 financial statements have been outlined below:

IFRS 9 Financial Instruments

The Company has assessed the future impact of the implementation of IFRS 9 and has considered the impact of applying an expected credit loss model when calculating impairment losses on trade receivables. Following due consideration, there was no significant impact on the financial statements, following the adoption of this model £16,000 of credit losses were recognised, there is no significant difference to the amount that would have been recognised under the previously adopted IAS39. No other amendments within IFRS 9 are relevant to the Company.

OpenBet Technologies Limited

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

2. Adoption of new and revised standards (continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS Revenue and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control over the goods and services provided. With the provision of services, revenue is to be recognised either at the point in time or over a period of time based on when the service is provided.

The Group has adopted IFRS 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application, i.e. 1 January 2018. Accordingly, the information presented for 2017 has not been restated. Additionally, the disclosure requirements in IFRS 15 have not generally been applied to the comparative information.

A full review of customer contracts was performed on adoption of IFRS 15; cash flows have not altered, but the exercise identified changes in the value of contract assets and the revenues that these contracts generate. Contracts providing certain licences and minimum guarantees were previously recognised and invoiced over the course of the contract. Under IFRS 15, the performance obligations in providing these services are deemed to have been transferred to the customer and the associated revenue recognised on delivery.

The changes under the new standard relate almost solely to performance obligations transferred in prior periods, therefore we have adjusted opening retained earnings by £9,912,000. This adjustment reflects revenues generated from licence income only and was previously recognised over the life of the lease, details of the revenue recognition policy are described in note 3. The amount of revenue recognised in 2018 from performance obligations satisfied from the transfer of licences, due to changes in the recognition policy is £2,187,565. This amount would previously have been recognised over the life of the contract.

Accounting policy

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for good and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes.

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract. The stage of completion takes into account the relevant performance obligations which have been transferred to the customer, this has been determined as follows:

Service agreement

- The transfer of software and other areas of certain licences and guarantees which are embedded within contracts are recognised immediately on the initial delivery of the contract as performance obligations in respect of these services are deemed to be passed immediately
- Support services are considered stand-ready obligations, therefore control transfers and revenue is recognised over time proportionally over the term of the support period.
- Professional development services which relate to post-go live development, and control transfers are recognised over time as services are rendered.

Disaggregation of Revenue

In the table below, revenue is disaggregated by timing of revenue recognition:

	2018	2017
Products transferred at a point in time	3,623	2,980
Products and services transferred over time	67,724	72,717
	<u>71,347</u>	<u>75,697</u>

Products and services transferred over time are £2,187,565 lower due to the adoption of IFRS 15.

OpenBet Technologies Limited

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

2: Adoption of new and revised standards (continued)

Receivable balances from contracts with customers

The following table provides information about receivables, deferred income and accrued income from service contracts with customers:

	2018 £000	2017 £000
Trade receivables	8,568	9,435
Accrued income	19,313	7,334
Deferred revenue	(1,355)	(2,013)

There has been an increase in the accrued income of £6,274,000 and a decrease in the deferred revenue balance of £1,450,000 due the adoption on 1 January 2018 of IFRS 15. All other movement relate to timing of billing and receipt of invoices.

Impact of IFRS15 on financial statements

The following table summarises the impact, net of tax, of the transition to IFRS 15 on retained earnings at 1 January 2018:

Retained earnings:

	£000
Retained earnings brought forward	26,797
Services provided where performance obligations met	9,912
	<u>36,709</u>

The following tables summarise the impacts of adopting IFRS 15 on the Group's statement of financial position as at 31 December 2018 and its statement of comprehensive income for the year then ended for each of the line items affected. There was no impact on the Group's statement of cash flows for the year ended 31 December 2018.

Consolidated Statement of Financial Position:

	As reported £000	Adjustments £000	Amounts without adoption of IFRS 15 £000
Current liabilities			
Deferred revenue	(1,355)	(1,450)	(2,805)
Current assets			
Accrued Income	19,313	(6,274)	13,039
Equity			
Retained earnings	42,395	(7,724)	34,671

OpenBet Technologies Limited

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

2. Adoption of new and revised standards (continued)

Consolidated Statement of Comprehensive Income

	As reported £000	Adjustments £000	Amounts without adoption of IFRS 15 £000
Revenue	71,347	2,188	73,535
Others	(65,763)	-	(65,763)
Profit for the year	<u>5,584</u>	<u>2,188</u>	<u>7,772</u>

3. Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

For the year ended 31 December 2018 the following subsidiaries of the Group were entitled to exemption from audit under s479A of the Companies Act 2006 relating to subsidiary companies.

SUBSIDIARY NAME	COMPANIES HOUSE REGISTRATION NUMBER
OpenBet Limited	03134634
OpenBet Retail Limited	02730742
Electracade Limited	05184120
NT Media Limited	03408275

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

OpenBet Technologies Limited

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. Significant accounting policies (continued)

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Going concern

The Group has net current liabilities of £115,599,000 (2017: £124,886,000). Excluding amounts due to/from related parties the Group has net assets of £52,733,000 (2017: £34,349,000). The Directors have reviewed the forecast of the Group's activities for a period of at least 12 months from the signing of the Statement of Financial Position. Taking into account current market conditions, volatility and the impact of COVID-19 on the Group's activities, the Directors are satisfied that the Group has adequate resources to continue in business for the foreseeable future.

The Directors have also received a letter of support provided by the Group's ultimate parent undertaking. The Directors have reviewed forecasts, at both an entity and group level, and whilst it is recognised that COVID-19 will have an adverse impact on future profitability and cash flow, it is satisfied of their ability to continue to support the Group. For this reason, the directors continues to adopt the going concern basis in preparing the Financial Statements.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

OpenBet Technologies Limited

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

3. Significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term liquid investments.

Goodwill

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Revenue

Determination of performance obligations and timing of transfer of control vary based on the nature of the contract. Contracts can contain multiple promises, including the following: (i) implementation of customised software solution and the associated software licence ii) Support services iii) professional development services

Implementation of Software and Software Licence Revenue Recognition

Licence fees are recognised once all the relevant acceptance criteria have been met and the performance obligations are deemed to have transferred to the customer. Licences are generally provided up-front on the outset of the contract are therefore recognised as revenue immediately, where licence fees are for a specific term, or the Group is required to provide further functionality over a specific period, revenue is recognised ratably over the time the functionality is provided to the customer.

In some instances, the Group earns licence revenue calculated as a percentage of the customer's incremental revenues earned from deploying the Group's applications (a revenue-share arrangement). Revenue in such instances is recognised ratably in proportion to the total expected incremental revenues.

In instances where the Group has obligations to pay a third party under a revenue-share arrangement, consideration is given as to whether to show the revenue and costs gross or net. In making this assessment, the Company considers whether, in substance, it is acting as principal or as agent in the relationship.

Support and Maintenance and Hardware Rental

Support and Maintenance is generally contracted on an annual basis and contracts for hardware rental are usually multi-year contracts. Support services and hardware rental are considered stand-ready obligations, therefore control transfers and revenue is recognised over time as the service is delivered.

Software Development

Software Development provides customers with enhanced and/or specific functionality in addition to the core licensed products. These services generally relate to post-go live development, and control transfers and revenue is recognised over time as services are rendered.

Where the Group is contracted on a 'time and materials' basis and no material performance obligations still exist, revenue is recognised as the incremental services are delivered. In the case of fixed price contracts, revenue is recognised over time as services are provided, where services rendered cannot be reliably estimated, revenue is deferred until such time as they can.

OpenBet Technologies Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

3. Significant accounting policies (continued)

Professional Services

Professional Services (e.g. consulting, project management and training) are generally provided alongside Software Development. Where the Group is contracted on a 'time and materials' basis and no material performance obligations still exist, revenue is recognised as the incremental services are delivered. In the case of fixed price contracts, revenue is recognised over time as services are provided, where services rendered cannot be reliably estimated; revenue is deferred until such time as they can.

Interest revenue

Interest income is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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. All other leases are classified as operating leases.

The group as lessee

Assets held under finance leases are recognised as assets of the group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the group's general policy on borrowing costs (see below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

OpenBet Technologies Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

3. Significant accounting policies (continued)

Exchange differences are recognised in profit or loss in the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the date of transactions.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

Defined contribution pension obligation

The Group makes contributions for the benefit of employees to defined contribution schemes. The amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown either as accruals or as prepayments in the balance sheet.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

OpenBet Technologies Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

3. Significant accounting policies (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment. They are depreciated on a straight-line basis over their expected useful economic lives or anticipated length of use by the Company. Leasehold improvements are depreciated over the lesser of their useful life or period of the lease. The expected useful life of equipment and furniture is between three and five years.

Depreciation

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Leasehold improvements	Straight line over 120 months
Furniture, fittings and equipment	Straight line over 36 months to 60 months

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives and is included within administrative expenses on the statement of comprehensive income. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

OpenBet Technologies Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

3. Significant accounting policies (continued)

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities relates to activities to develop digital content to enhance the Company's product offering, this is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised within cost of sales within the profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Intangible assets are amortised on a straight-line basis from the date they are available for use over three years.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

OpenBet Technologies Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

3. Significant accounting policies (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

If the transaction price differs from fair at initial recognition, the Group will account for such difference as follows:

- if fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised as a gain or loss on initial recognition (i.e. day 1 profit or loss); and
- in all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred gain or loss will be released to profit or loss such that it reaches a value of zero at the time when the entire contract can be valued using active market quotes or verifiable objective market information. Depending on the type of financial instrument, the Group can adopt one of the following policies for the amortisation of day 1 gain or loss:

- calibrate unobservable inputs to the transaction price and recognise the deferred gain or loss as the best estimates of those unobservable inputs change based on observable information; or

release the day 1 gain or loss in a reasonable fashion based on the facts and circumstances (i.e. using either straight-line or non-linear amortisation).

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss. Transaction costs directly attributable to the acquisition of financial assets classified as at fair value through profit or loss are recognised immediately in profit or loss.

OpenBet Technologies Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

3. Significant accounting policies (continued)

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including redeemable notes classified as AFS and finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment is the differences between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

OpenBet Technologies Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

3. Significant accounting policies (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

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

OpenBet Technologies Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

3. Significant accounting policies (continued)

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group's accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the director is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Management do not consider there to be any significant key sources of estimation uncertainty.

Critical judgements in applying the group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the director has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Critical Judgement

Revenue Recognition

The director is required to use his judgement in determining the timing of certain performance obligations. An assessment as to whether revenue is recognised over either time or a point in time needs to be made for all new contracts. Where revenue is recognised at a point in time, judgement as to which point in time the performance obligation is transferred to the customer must be made. This is referenced in note 2.

OpenBet Technologies Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

4. Critical accounting judgements and key sources of estimation uncertainty (continued)

Agency and Principal relationship

The director has exercised his judgement in assessing whether the relationships the Group and its subsidiaries form an agency or principal relationship with customers.

Investments in subsidiaries.

A review of the indicators of impairment in the Company's investments is performed annually, if indications of impairment are discovered, a full impairment review by comparing the fair value of the investment to its carrying value is performed.

The fair value is calculated by estimating the future cash flows expected to arise within the investment and a suitable discount rate in order to calculate present value. In the event that the carrying value exceeds the fair value, an impairment charge is recorded in the operating income. See note 31 for further details.

5. Revenue

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

	2018 £000	2017 £000
Rendering of services	67,724	72,717
Sale and installation of hardware	3,623	2,980
	<u>71,347</u>	<u>75,697</u>

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

	2018 £000	2017 £000
UK	22,134	41,618
Europe	14,804	16,148
Rest of world	34,409	17,931
	<u>71,347</u>	<u>75,697</u>

6. Profit for the year

Profit for the year has been arrived at after (crediting)/charging:

	2018 £000	2017 £000
Net foreign exchange gains	(306)	(630)
Depreciation expense	588	723
Amortisation expense	6,311	4,386
Staff costs (see note 8)	37,263	32,916
Operating lease expense – property	<u>2,219</u>	<u>1,905</u>

OpenBet Technologies Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

7. Auditor's remuneration

	2018 £000	2017 £000
Fees payable to the Group's auditor and their associates for the audit of the Group's annual accounts	137	140
The audit of the Company's subsidiaries	23	23
	<u>150</u>	<u>163</u>

8. Staff costs

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

	2018 £000	2017 £000
Wages and salaries	30,485	27,447
Social security costs	5,115	4,077
Pension costs, defined contribution scheme	1,663	1,392
	<u>37,263</u>	<u>32,916</u>

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

	2018 No.	2017 No.
Administration and support	98	68
Sales, marketing and distribution	59	13
Other departments	639	590
	<u>796</u>	<u>671</u>

There are no direct staff in OpenBet Technologies. The above relate to other group companies

9. Finance costs

	2018 £000	2017 £000
Interest expense on group loans	7,920	11,895
Unwinding of discounted provision	51	57
	<u>7,971</u>	<u>11,952</u>

OpenBet Technologies Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

10. Tax

	2018 £000	2017 £000
Corporation tax:		
Current year	-	2,254
Adjustment in respect of prior period	-	(1,154)
Deferred tax	(152)	154
	<u>(152)</u>	<u>1,254</u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2017 – lower than the standard rate of corporation tax in the UK) of 19.00% (2017 – 19.25%).

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 2018) and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. However, in the March 2020 Budget it was announced that the cut in the rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%. As this has not been enacted by the balance sheet date, balances as at 31 December 2018 continue to be measured at 17%, the amended tax rate would cause a £103,000 increase in the deferred tax asset. The charge for the year can be reconciled to the profit in the income statement as follows:

	2018 £000	2017 £000
Profit before tax on continuing operations	5,432	9,221
Tax at the UK corporation tax rate of 19% (2017: 19.25%)	1,032	1,775
Tax effect of utilisation of tax losses not previously recognised	454	(378)
Group relief	(1,237)	(1,278)
Timing differences on intangible assets	(148)	453
Corporate interest restriction	-	1,621
Effect of rate change on opening deferred tax asset/liability	-	126
Adjustment in respect of prior period	-	(1,154)
Non-deductible expenses	(278)	-
Other differences	25	89
Tax expense for the year	<u>(152)</u>	<u>1,254</u>

OpenBet Technologies Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

11. Goodwill

	£000
Cost	
At 1 January 2017 and 31 December 2017	14,000
At 31 December 2018	<u>14,000</u>
Accumulated impairment losses	
At 1 January 2017 and 31 December 2017	5,425
At 31 December 2018	<u>5,425</u>
Carrying amount	
At 31 December 2017	8,575
At 31 December 2018	<u>8,575</u>

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The group does not have multiple cash generating units and impairments reviews on goodwill are performed following an assessment of the recoverable amount of the assets of the group as a whole. Recoverable amounts are based on forecasts of future earnings in the medium term, which are based on future expectations and past results. These forecasts are then extrapolated over the longer term which is currently assumed to be 2.5% growth in profitability and discounted at the groups weighted average cost of capital, which is currently 12.5%

12. Intangible assets

	Intellectual property £ 000	Customer relationships £ 000	Internally generated software development costs £ 000	Software intangible assets £ 000	Total £000
Cost or valuation					
At 1 January 2017	4,065	6,346	14,084	175	24,670
Additions	-	-	5,071	-	5,071
At 31 December 2017	4,065	6,346	19,155	175	29,741
Additions	-	-	9,685	-	9,685
At 31 December 2018	<u>4,065</u>	<u>6,346</u>	<u>28,840</u>	<u>175</u>	<u>39,426</u>
Amortisation					
At 1 January 2017	4,065	6,346	5,159	97	15,667
Charge for the year	-	-	4,328	58	4,386
At 31 December 2017	4,065	6,346	9,487	155	20,053
Charge for the year	-	-	6,291	20	6,311
At 31 December 2018	<u>4,065</u>	<u>6,346</u>	<u>15,778</u>	<u>175</u>	<u>26,364</u>
Carrying amount					
At 31 December 2017	-	-	9,668	20	9,688
At 31 December 2018	-	-	<u>13,062</u>	-	<u>13,062</u>

The amortisation period for development costs incurred on the group's software development is 3 years. Research and development costs charged to the profit and loss during the period was £19,450,000.

OpenBet Technologies Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

13. Tangible assets

	Leasehold improvements £000	Furniture, fittings and equipment £000	Total £000
Cost			
At 1 January 2017	1,804	4,844	6,648
Additions	-	561	561
Disposals	-	(13)	(13)
At 31 December 2017	1,804	5,392	7,196
Additions	1,349	2,274	3,623
At 31 December 2018	3,153	7,666	10,819
Accumulated depreciation and impairment			
At 1 January 2017	1,106	3,753	4,859
Charge for the year	175	548	723
Eliminated on disposals	-	(11)	(11)
At 31 December 2017	1,281	4,290	5,571
Charge for the year	207	381	588
At 31 December 2018	1,488	4,671	6,159
Carrying amount			
At 31 December 2017	523	1,102	1,625
At 31 December 2018	1,665	2,995	4,660

OpenBet Technologies Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

14. Subsidiaries

The group consists of a parent company, OpenBet Technologies Limited, incorporated in the UK and a number of subsidiaries held directly by OpenBet Technologies Limited.

The Company has the following direct and indirect subsidiaries:

Entity Name	Direct/Indirect Subsidiary	Address of registered office and principal business address	Identity and proportion of shares held (ordinary shares unless otherwise stated)	Principal activity
OpenBet Singapore Pte Limited	Direct	6 Raffles Quay, #33-03, Singapore 048581	100%	Distribution of digital sports and casino gaming
OpenBet New Zealand Limited	Direct	Level 12, 55 Shortland Street, Auckland, 1010 New Zealand	100%	Distribution of digital sports and casino gaming
OpenBet Limited	Direct	4th Floor, Building 9, Chiswick Park, 566 Chiswick High Road, London W4 5XT	100%	Distribution of digital sports and casino gaming
OpenBet North America Corporation	Direct	199 Bay Street, Suite 4000, Commerce Court West, Toronto, ON M5L 1A9, Canada	100%	Distribution of digital sports and casino gaming
OpenBet Retail Limited	Direct	4th Floor, Building 9, Chiswick Park, 566 Chiswick High Road, London W4 5XT	100%	Distribution of digital sports and casino gaming
Electracade Limited	Direct	4th Floor, Building 9, Chiswick Park, 566 Chiswick High Road, London W4 5XT	100%	Distribution of digital sports and casino gaming
OpenBet Asia Pacific Pty Limited	Direct	Tower Two Collins Square Level 3, 6727 Collins Street, Docklands VIC 3008	100%	Distribution of digital sports and casino gaming
OpenBet Hellas S.A.	Direct	7 Fragkoklissias Street, Marousi 15125, Athens, Greece	100%	Content studio
NYX Gaming (Krakow) sp z.o.o	Direct	Al. 29 Listopada 20, 31-401, Krakow	100%	Content studio
NT Media Limited	Indirect	4th Floor, Building 9, Chiswick Park, 566 Chiswick High Road, London W4 5XT	100%	Intermediate holding company

OpenBet Technologies Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

15. Inventories

	2018 £ 000	2017 £ 000
Finished goods and goods for resale	48	68

16. Trade and other receivables

	2018 £ 000	2017 £ 000
Amount receivable for the sale of goods	8,609	9,460
Allowance for doubtful debts	(41)	(25)
Net trade receivables	8,568	9,435
Debtors from related parties	9,881	86,129
Accrued income	19,313	7,334
Tax receivable	2,070	3,346
Prepayments	2,188	2,103
	42,020	108,347

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost. Amounts due to related parties are interest free, unsecured & repayable on demand.

The average credit period taken on sales of goods and services is 30 days.

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the reporting date but against which the Group has not recognised an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable.

Ageing of past due but not impaired receivables

	2018 £ 000	2017 £ 000
31-60 days	2,422	2,425
61-90 days	1,304	1,156
91-120 days	295	523
121 days +	226	259
Total	4,247	4,363

OpenBet Technologies Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

16. Trade and other receivables (continued)

Movement in the allowance for doubtful debts

	2018 £ 000	2017 £ 000
Balance at the beginning of the period	(25)	(122)
Impairment losses recognised	(16)	-
Amounts written off during the year as uncollectible	-	61
Amounts recovered during the year	-	23
Impairment losses reversed	-	13
Balance at the end of the period	<u>(41)</u>	<u>(25)</u>

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated.

The director considers that the carrying amount of trade and other receivables is approximately equal to their fair value.

17. Deferred tax

The following are the major deferred tax liabilities and assets recognised by the group and movements thereon during the current and prior reporting period. These deferred tax balances liabilities are calculated based on known tax and accounting figures but estimated future tax rates, these have been presented below:

	Accelerated tax depreciation	Onerous rent provision	Total
	£000	£000	£000
At 1 January 2018	1,044	87	1,131
Origination/unwinding of timing differences	(148)	(10)	(158)
At 31 December 2018	<u>896</u>	<u>77</u>	<u>973</u>

OpenBet Technologies Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

18. Trade and other payables

	2018 £000	2017 £000
Trade creditors	556	1,648
Accrued expenses	5,712	5,827
Amounts due to related parties	151,343	224,805
Social security and other taxes	1,350	2,148
Other current financial liabilities	265	261
	<u>159,226</u>	<u>234,689</u>

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs associated with the day to day administration costs that the entity incurs. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms. Amounts due to related parties are interest free, unsecured & repayable on demand.

The director considers that the carrying amount of trade payables approximates to their fair value.

19. Provisions

	Onerous contracts £000
At 1 January 2018	460
Unwinding of discount	50
Provision utilised	(110)
At 31 December 2018	<u>400</u>

The provision relates to a property leases entered into by Openbet Retail Limited, prior to its acquisition by the Group, at above market rates. The provision is expected to have fully unwound by June 2022.

20. Share capital

	2018 £000	2017 £000
Issued, authorised and fully paid:		
185,000,001 'A' Ordinary Shares of £0.10 each	18,500	18,500
9,687 'B' Ordinary Shares of £0.01 each	-	-
313 'C' Ordinary Shares of £0.01 each	-	-
	<u>18,500</u>	<u>18,500</u>

The Company has three classes of ordinary shares which carry no right to fixed income. The A, B and C Ordinary Shares rank equally in all regards.

OpenBet Technologies Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

21. Share premium account

	Share premium £000
Balance at 31 December 2018 and 31 December 2017	1

22. Notes to the cash flow statement

	2018 £000	2017 £000
Operating profit for the year	13,403	21,173
Depreciation of property, plant and equipment	588	723
Amortisation of intangible assets	6,311	4,386
Loss of disposal of property, plant and equipment	-	2
Decrease in provisions	(110)	(132)
Operating cash flows before movements in working capital	20,192	26,152
Decrease in inventories	20	3
Decrease/(increase) in receivables	66,326	(45,305)
Impact on opening receivables on adoption of IFRS 15	1,299	-
(Decrease)/increase in payables	(76,120)	22,610
Cash generated by operations	11,717	3,460
Income taxes paid	(403)	(452)
Net cash from operating activities	11,314	3,008
Cash and cash equivalents		
	2018 £000	2017 £000
Cash and bank balances	4,496	6,490

OpenBet Technologies Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

23. Operating lease arrangements

The group as lessee

	2018 £000	2017 £000
Lease payments under operating leases recognised as an expense in the year	2,219	1,905

At the balance sheet date, the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018 £000	2017 £000
Within one year	2,342	1,868
In the second to fifth years inclusive	3,898	3,588
	<u>6,240</u>	<u>5,456</u>

Operating lease payments represent rentals payable by the group for certain of its office properties.

24. Deferred revenue

	2018 £000	2017 £000
Arising from the rendering of services	<u>1,355</u>	<u>2,013</u>
Current	<u>1,355</u>	<u>2,013</u>

OpenBet Technologies Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

25. Financial Instruments

Foreign currency risk management

The Group undertakes transactions denominated in foreign currencies; consequently exposures to exchange rate fluctuations arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2018 £000	2017 £000	2018 £000	2017 £000
Sterling	157,375	231,238	33,937	104,429
Euro	4,207	5,116	2,063	4,660
Australian Dollar	257	154	767	1,889
Canadian Dollar	-	84	3,443	1,866
Danish Kroner	-	162	621	598
Singapore Dollar	72	2,833	4,542	1,338
US Dollar	172	99	1,082	-
New Zealand Dollar	80	105	109	125
Total	162,163	239,791	46,564	114,905

Foreign currency sensitivity analysis

The Group is mainly exposed to the currency of Australia (Australian dollar currency), Singapore (Singapore dollar currency) and the currency of Canada (Canadian dollar currency).

The following table details the Group's sensitivity to a 10 per cent increase and decrease in sterling against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10 per cent change in foreign currency rates. A positive number below indicates an increase in profit and other equity where sterling strengthens 10 per cent against the relevant currency. For a 10 per cent weakening of sterling against the relevant currency, there would be a comparable impact on the profit and other equity, and the balances below would be negative.

	Australian Dollars impact		Singapore Dollars impact		Canadian Dollars impact	
	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000
Profit or loss	(30)	(147)	(375)	-	(352)	(158)
Other equity	(17)	(170)	(31)	-	(14)	(162)
	(47)	(317)	(406)	-	(366)	(320)

OpenBet Technologies Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

25. Financial Instruments (continued)

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults, this policy is unchanged from prior years.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas and are analysed using a credit loss model using a "simplified approach". Expenses are recognised in the statement of comprehensive income upon consideration of past, current and expected credit conditions to assess the probability of default or partial default of the debt.

Capital risk management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balances. The group considers equity as shown in the statement of changes in equity and the amount owed to related parties which is shown in note 18 as the capital it has under management. The Company's overall strategy remains unchanged from 2017.

The company is not subject to externally imposed capital requirements.

26. Related party transactions

On 5th January 2018 Scientific Games Corporation completed its acquisition of NYX Gaming Group Limited, the transactions between this group and its subsidiaries were not deemed to be related parties.

Balances and transactions between the company and its subsidiaries, which are related parties, are eliminated on consolidation and are not disclosed in this note. The Company's transactions and balances with related parties during the year ended and as at 31 December 2018 are as follows:

	Statement of comprehensive income	Statement of financial position
	Income / (expense)	(due to) / due from
	2018	2018
	£000	£000
NYX Gaming Group LLC	(687)	(138,555)
(Fellow subsidiary, unsecured)		
Management fees		
Next Gen Gaming Group	-	576
(Fellow subsidiary, unsecured)		
Management fees		
BetDigital Holdings Limited	-	548
(Fellow subsidiary, unsecured)		
Support services		

OpenBet Technologies Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

26. Related party transactions (continued)

	Statement of comprehensive income	Statement of financial position
	Income / (expense)	(due to) / due from
	2018	2018
	£000	£000
Les Studios Side City Inc.	(345)	312
(Fellow subsidiary, unsecured)		
Royalty fees		
Scientific Games Corporation	-	(11,161)
(Fellow subsidiary, unsecured)		
Insurance recharges		
SG Digital (Gibraltar) Limited	(1,995)	1,995
(Fellow subsidiary, unsecured)		
Support services		
NYX Interactive Malta Limited	(3,991)	3,991
(Fellow subsidiary, unsecured)		
Management fees		
NYX Digital Gaming Malta Limited	(919)	919
(Fellow subsidiary, unsecured)		
Support services		
Bally Gaming Canada Limited	-	22
(Fellow subsidiary, unsecured)		
Support services		
NYX Digital Gaming (USA) LLC	(1,451)	-
(Fellow subsidiary, unsecured)		
Management fees		
Next Gen Gaming Pty Limited	(869)	-
(Fellow subsidiary, unsecured)		
Management fees		

OpenBet Technologies Limited

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 December 2018

26. Related party transactions (continued)

	Statement of comprehensive income	Statement of financial position
	Income / (expense)	(due to) / due from
	2018	2018
	£000	£000
NYX Interactive AB	(905)	905
(Fellow subsidiary, unsecured)		
Management fees		

There are no expenses in relation to bad debt with related parties and all balances at the year-end are considered recoverable.

27. Remuneration of key management personnel

Directors were paid by other companies within the Group and are disclosed in the financial statements of those companies. It is not possible to determine the element of their remuneration which relates solely to their services of Directors of the Company.

28. Non-adjusting subsequent event

During the first two quarters of 2020, the identification and subsequent widespread transmission of a new coronavirus has resulted in a reduction of global economic activity, substantial closures of retail premises and significant change in the behaviour of consumers. The financial impact of these conditions on the Company are not yet fully known however the directors continue to monitor the situation closely.

OpenBet Technologies Limited

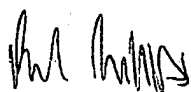
Company Statement of Financial Position

For the year ended 31 December 2018

	Notes	2018 £000	2017 £000 (Restated)	2016 £000 (Restated)
Non-current assets				
Investment in subsidiaries	31	81,759	167,798	169,360
Current assets				
Trade and other receivables	33	57,277	102,995	30,190
Cash and bank balances		1,707	1,946	1,643
		58,984	104,941	31,833
Total assets		140,743	272,739	201,193
Current liabilities				
Trade and other payables	34	(195,446)	(238,077)	(155,992)
Net current liabilities		(136,462)	(133,136)	(124,159)
Total assets less current liabilities		(54,703)	34,662	45,201
Net (liabilities)/assets		(54,703)	34,662	45,201
Equity				
Share capital		18,500	18,500	18,500
Share premium account		1	1	1
Capital contribution reserve		13,846	13,846	13,846
Retained earnings		(87,050)	2,315	12,854
Net (deficit)/equity attributable to owners of the Company		(54,703)	34,662	45,201

The Company reported a loss for the financial year ended 31 December 2018 of £90,664,000. The company reported a loss for the financial year ended 31 December 2017 of £10,539,000 (restated from £13,749,000). Restated amounts have been detailed within note 36 of the financial statements.

The financial statements of OpenBet Technologies Limited (registered number 06712030) were approved by the Board on 26 June 2020 and signed on its behalf by:



P Phillips
Director

OpenBet Technologies Limited

Company Statement of Changes in Equity

For the year ended 31 December 2018

	Share capital £000	Share premium account £000	Capital contribution reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2017 as previously stated	18,500	1	13,846	(771)	31,576
Prior year adjustments (note 36)	-	-	-	13,625	13,625
Balance at 1 January 2017 as restated	<u>18,500</u>	<u>1</u>	<u>13,846</u>	<u>12,854</u>	<u>45,201</u>
Loss for the year as restated	-	-	-	(10,539)	(10,539)
Total comprehensive expense for the year as restated	-	-	-	(10,539)	(10,539)
Balance at 31 December 2017 as restated	<u>18,500</u>	<u>1</u>	<u>13,846</u>	<u>2,315</u>	<u>34,662</u>
Adjustment on initial application of IFRS 15	-	-	-	1,299	1,299
Balance at 31 December 2017 as restated	<u>18,500</u>	<u>1</u>	<u>13,846</u>	<u>3,614</u>	<u>35,961</u>
Loss for the year	-	-	-	(90,664)	(90,664)
Total comprehensive expense for the year	-	-	-	(90,664)	(90,664)
Balance at 31 December 2018	<u>18,500</u>	<u>1</u>	<u>13,846</u>	<u>(87,050)</u>	<u>(54,703)</u>

OpenBet Technologies Limited

Notes to the Company Financial Statements (continued)

For the year ended 31 December 2018

29. Significant accounting policies

The separate financial statements of the Company are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year ended 31 December 2018 the financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) *Reduced Disclosure Framework* as issued by the Financial Reporting Council incorporating the Amendments to FRS 101 issued by the FRC in July 2015 and July 2016.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payment, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement and certain related party transactions.

Where required, equivalent disclosures are given in the consolidated financial statements

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are the same as those set out in note 3 to the consolidated financial statements except as noted below.

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

30. Loss for the year

As permitted by s408 of the Companies Act 2006 the Company has elected not to present its own profit and loss account or statement of other comprehensive income for the year. The loss attributable to the Company is disclosed in the footnote to the Company's balance sheet.

The auditor's remuneration for audit and other services is disclosed in note 7 to the consolidated financial statements.

31. Investment in subsidiaries

	£000
Cost	
At 1 January 2018	199,927
Additions	3
At 31 December 2018	<u>199,930</u>
Provisions for impairment	
At 1 January 2018	32,129
Charge	<u>86,042</u>
At 31 December 2018	<u>118,171</u>
Net book value at 31 December 2017	<u>167,798</u>
Net book value at 31 December 2018	<u>81,759</u>

The company tests investments annually for impairment or more frequently if there are indications that investments might be impaired. Recoverable amounts are based on forecasts of future earnings in the medium term, which are based on future expectations and past results. These forecasts are then extrapolated over the longer term which is currently assumed to be 2.5% growth in profitability and discounted at the company's weighted average cost of capital, which is currently 12.5%. Using these measures, the investment in Openbet Limited has been impaired by £86,042,000 at the balance sheet date.

OpenBet Technologies Limited

Notes to the Company Financial Statements (continued)

For the year ended 31 December 2018

32. Company subsidiaries

Details of the Company's subsidiaries at 31 December 2018 are as follows:

Entity Name	Direct/Indirect Subsidiary	Address of registered office and principal business address	Identity and proportion of shares held (ordinary shares unless otherwise stated)	Principal activity
OpenBet Singapore Pte Limited	Direct	6 Raffles Quay, #33-03, Singapore 048581	100%	Distribution of digital sports and casino gaming
OpenBet New Zealand Limited	Direct	Level 12, 55 Shortland Street, Auckland, 1010 New Zealand	100%	Distribution of digital sports and casino gaming
OpenBet Limited	Direct	4th Floor, Building 9, Chiswick Park, 566 Chiswick High Road, London W4 5XT	100%	Distribution of digital sports and casino gaming
OpenBet North America Corporation	Direct	199 Bay Street, Suite 4000, Commerce Court West, Toronto, ON M5L 1A9, Canada	100%	Distribution of digital sports and casino gaming
OpenBet Retail Limited	Direct	4th Floor, Building 9, Chiswick Park, 566 Chiswick High Road, London W4 5XT	100%	Distribution of digital sports and casino gaming
Electracade Limited	Direct	4th Floor, Building 9, Chiswick Park, 566 Chiswick High Road, London W4 5XT	100%	Distribution of digital sports and casino gaming
OpenBet Asia Pacific Pty Limited	Direct	Tower Two Collins Square Level 3, 6727 Collins Street, Docklands VIC 3008	100%	Distribution of digital sports and casino gaming
OpenBet Hellás S.A.	Direct	7 Fragkoklissias Street, Marousi 15125, Athens, Greece	100%	Content studio
NYX Gaming (Krakow) sp z.o.o	Direct	Al. 29 Listopada 20, 31-401, Krakow	100%	Content studio
NT Media Limited	Indirect	4th Floor, Building 9, Chiswick Park, 566 Chiswick High Road, London W4 5XT	100%	Intermediate holding company

The investments in subsidiaries are all stated at cost less provision for impairments.

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Notes to the Company Financial Statements (continued)

For the year ended 31 December 2018

32. Company subsidiaries (continued)

Further information about subsidiaries, including disclosures about non-controlling interests, is provided in note 14 to the consolidated financial statements.

33. Trade and other receivables

	2018 £000	2017 (restated) £000	2016 (restated) £000
Amounts falling due within one year:			
Trade Receivables	1,432	1,285	536
Accrued Income	8,155	2,800	573
Amounts owed by group undertakings	47,663	98,903	29,022
Prepayments	27	7	59
	<u>57,277</u>	<u>102,995</u>	<u>30,190</u>

Amounts due to related parties are interest free, unsecured & repayable on demand.

34. Trade and other payables

	2018 £000	2017 £000	2016 £000
Amounts falling due within one year:			
Trade payables	-	-	84
Accrued expensés	142	183	66
Deferred income	198	116	203
Amounts owed to group undertakings	195,106	237,778	155,639
	<u>195,446</u>	<u>238,077</u>	<u>155,992</u>

Amounts due to related parties are interest free, unsecured & repayable on demand.

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Notes to the Company Financial Statements (continued)

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35. Parent and ultimate parent undertaking

The Company is a wholly owned subsidiary of NYX Gaming Group LLC which is incorporated in the United States of America and registered in Nevada.

Prior to 5 January 2018 the ultimate controlling party was NYX Gaming Group Limited, a limited liability company incorporated and domiciled in Guernsey with a registered office located at Roseneath, The Grange, St Peter Port, Guernsey GY1 3SJ.

Following the acquisition of NYX Gaming Group Limited by the Scientific Games Group on 5 January 2018 the ultimate controlling party became Scientific Games Corporation, a company incorporated and domiciled in the United States of America with a registered office located at 6601 Bermuda Road, Las Vegas, NV 89118, USA.

The smallest and largest group in which the results of the Company are consolidated at the year-end date is that headed by Openbet Technologies Limited. The consolidated financial statements of the group are available to the public and may be obtained from Building 9 Chiswick Park, 566 Chiswick High Road, London, W4 5XT, United Kingdom.

36. Prior period adjustments

During the year it was noted that revenue derived from a number of customer contracts had been recognised in another company within the consolidated group rather than in Openbet Technologies Limited. Management has assessed the facts in the relationships Openbet Technologies Limited has with its customers and determined that a principal relationship exists, which was not previously recognised. There is no impact on the consolidated financial statements, however prior period retained earnings for Openbet Technologies Limited have been adjusted to reflect the updated position.

The restatements affect retained earnings, intercompany receivables, trade receivables, accrued income and deferred income balances in periods prior to 2017; we have therefore presented a third company balance sheet to present the correct retained earnings figure in the 2016 period. The cumulative impact on the 2016 retained earnings position is £13,625,000, with an opposing increasing entry to trade and other receivables of £13,828,000 and an increase in trade and other payables of £203,000.

In the year-ended 31 December 2017, there was a further increasing adjustment to retained earnings of £3,210,000, with an opposing increasing entry on trade and other receivables of £3,123,000 and a decrease in trade and other payables of £87,000,

The total cumulative effect of the prior period adjustments is to increase retained earnings by £16,835,000, increase trade and other receivables by £16,951,000 and increase trade and other payables by £116,000.

Balance sheet excerpt for year-ended 31 December 2016

	2016 £000	Adjustment £000	Restated £000
Current assets			
Trade and other receivables	16,362	13,828	30,190
Cash and bank balances	1,643	-	1,643
	<u>18,005</u>	<u>13,828</u>	<u>31,833</u>
	2016 £000	Adjustment £000	Restated £000
Current liabilities			
Trade and other payables	(155,789)	(203)	(155,992)
	<u>(155,789)</u>	<u>(203)</u>	<u>(155,992)</u>

OpenBet Technologies Limited

Notes to the Company Financial Statements (continued)

For the year ended 31 December 2018

36. Prior period adjustments (continued)

Balance sheet excerpts for year-ended 31 December 2016 (continued)

	2016 £000	Adjustment £000	Restated £000
Equity			
Share capital	18,500	-	18,500
Share premium account	1	-	1
Capital contribution reserve	13,846	-	13,846
Retained earnings	(771)	13,625	12,854
Equity attributable to owners of the Company	<u>31,576</u>	<u>13,625</u>	<u>45,201</u>

Balance sheet excerpt for year-ended 31 December 2017

	2017 £000	Adjustment £000	Restated £000
Current assets			
Trade and other receivables	86,044	16,951	102,995
Cash and bank balances	1,946	-	1,946
	<u>87,990</u>	<u>16,951</u>	<u>104,941</u>

	2017 £000	Adjustment £000	Restated £000
Current liabilities			
Trade and other payables	(237,961)	(116)	(238,077)
	<u>(237,961)</u>	<u>(116)</u>	<u>(238,077)</u>

	2017 £000	Adjustment £000	Restated £000
Equity			
Share capital	18,500	-	18,500
Share premium account	1	-	1
Capital contribution reserve	13,846	-	13,846
Retained earnings	(14,520)	16,835	2,315
Equity attributable to owners of the Company	<u>17,827</u>	<u>16,835</u>	<u>34,662</u>