ANNUAL REPORT

and Consolidated Financial Statements 2018

Gaming Innovation Group p.l.c.
Company Registration Number: C44319

31 December 2018
gig.com

Directors' report

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2018.

Principal activities and future developments

The Group's principal activities are the provision of online gaming services, primarily casino and sports, provision of a remote gaming platform and affiliate marketing operations.

Events after the reporting date

On 26 March 2019, the shares of the Group's parent company have commenced trading on Nasdaq Stockholm. As a result, such shares are dual-listed on Nasdaq Stockholm and Oslo Børs.

As at 31 December 2018, the net current assets and net assets of the Group amounted to EUR10,041,907 and EUR75,228,244 respectively. The Group's net equity has strengthened following the capitalisation of an intra-group loan as further disclosed in Note 13. The Group's bond, with a year-end carrying amount of EUR64,229,542 as further detailed in Note 21, is repayable in March 2020. The directors are currently considering the options available to the Group, which include the re-financing of the bond. Although the future re-financing options are still under consideration, the directors do not believe that this matter impacts the going concern basis of preparation.

Overall Group performance

The Group experienced growth in revenues of 25% whilst operating expenses (including marketing expenses) increased by 44%. The overall increase in active customers has led to this growth. EBITDA has increased from EUR15.6 million in 2017 to EUR17.6 million in 2018. This shows the scalability of the Group's business and the ability to grow in a profitable manner. EBITDA is equivalent to operating profit before depreciation and amortisation, impairment, other losses and share of net profit of associate accounted for using the equity method.

During the year, the Group incurred an impairment loss of EUR13.7 million which represents the write-offs of the domain value of four in-house brands that were previously acquired by the Group.

Revenues

Revenues in 2018 increased to EUR151.4 million (2017: EUR121.0 million) which is equivalent to an increase of 25%.

Net Gaming revenue from Casino, Sports and Poker amounted to EUR99.8 million (2017: EUR85.3 million) for the full year 2018.

Revenues from performance marketing increased to EUR29.3 million (2017: EUR17.9 million) for the full year 2018, and revenues from platform and other B2B services increased to EUR22.3 million (2017: EUR17.7 million).

Directors’ report - continued

Cost of sales

Cost of sales includes gaming taxes, licensing fees payable to game providers and costs for payment services. Gaming taxes for the full year 2018 amounted to EUR5.1 million (2017: EUR3.3 million). The increase in gaming taxes is driven by growth in revenue from regulated markets. The Group holds licenses in Malta as well as international licences in UK, Curacao, Alderney and Schleswig-Holstein, and pays betting duties in regulated markets in accordance with applicable local laws. The Group has secured two Swedish licences by end of year 2018, which are active in 2019.

Platform and service provider fees amounted to EUR23.2 million for the full year 2018 (2017: EUR16.5 million).

Marketing expenses

During 2018, marketing costs were EUR47.2 million (2017: EUR47.0 million) with 34.7% relating to revenue share affiliate cost (2017: 32.7%). Marketing costs have remained consistent with the previous year as a result of a more efficient marketing strategy.

Total operating expenses

During 2018, total operating expenses were EUR167.4 million (2017: EUR116.3 million). This total includes EUR20.0 million (2017: EUR10.9 million) of depreciation and amortisation charges and EUR32.5 million (2017: EUR22.8 million) of personnel costs. Personnel and administrative costs have increased from prior year as a result of increasing staff headcount.

Impairment losses of EUR13.7 million and EUR7.3 million have been recognised during the year by the Group and the Company respectively as part of the restructuring within the B2C segment (notes 5 and 7).

Profit from operations

Loss before tax from operations for the full year 2018 was EUR20.3 million (2017: profit amounting to EUR3.0 million).

Net finance costs

Net finance costs for 2018 were EUR4.1 million (2017: EUR1.6 million). The increase in 2018 is mainly due to the interest on bonds of EUR4.9 million (2017: EUR3.1 million), which relates to a full year of cost as well as a decrease due to favourable exchange differences from EUR1.6 million in 2017 to EUR0.8 million in the current year.

Statement of financial position

The largest asset on the balance sheet relates to intangible assets, which mainly comprises goodwill generated through business combinations, as well as affiliate assets acquired. Trade and other receivables increased to EUR29.2 million from EUR27.5 million in 2017, mainly due to a EUR4 million bank guarantee in relation to the application for a licence to operate in the Spanish market netted off by a decrease in trade receivables.

Significant liabilities in the balance sheet include trade and other payables, the bond issue, and in the preceding year, borrowing from the Group’s parent company. Trade and other payables have increased in line with higher activity. During the year the parent company has waived amounts due to it by the Group amounting to EUR89,765,004 and converted the amount to a capital contribution reserve.

Directors' report - continued

Financing and cash flow

The Group experienced a net cash inflow during the year of EUR0.5 million (2017: EUR4.3 million). This was mainly a result of net cash generated from operating activities being almost completely set off by payments for non-current assets and the repayments of the bond.

Significant risks and uncertainties

GIG operates on the basis of its international licence in Malta, and other territory specific licences.

For internet-based betting operations, there is uncertainty as to which country's law ought to be applied, as the internet operations can be linked to several jurisdictions and there are legal doubts on whether the availability of a site within foreign markets constitutes a solicitation to persons residing within that market. Legislation concerning online gaming is under review in certain jurisdictions, and in some circumstances, previous opportunities to offer gaming products to certain customers based in some markets on principles of freedom to provide services, would be closed due to legal restrictions being imposed. In some other cases, previously unregulated jurisdictions pass legislation regulating the market creating new opportunities to offer products and services to those markets with legal certainty.

The majority of the Group's revenue is derived from markets within the European Union, meaning that their domestic regulations are subject to EU law principles, such as free movement of services. Member States are permitted to impose local license requirements as a condition for companies offering online gaming services to consumers residing in respective states only insofar as the licenses are granted based on objective, transparent, non-discriminatory and proportionate criteria. Whereas national regulation liberalising the gaming market is generally compliant with EU law, the imposition of restrictions, especially protectionist approaches, is often challenged in European courts causing doubt until a final decision is published.

Where such local licensing regime is in place, it is the Group's policy not to offer gaming services to consumers residing in such state, unless it is in possession of a valid license. Regulation of online gaming in European markets is generally a positive development, as it reduces uncertainty and enables long term business planning and usually also increases the marketing channels available for the Group in such countries.

The Group also provides B2B services, including platform services and performance marketing. It is the Group's view that the responsibility for compliance with laws and regulations rests with the customer. Although gaming laws and regulations of many jurisdictions do not specifically apply to the supply of B2B services, certain countries have sought to regulate or prohibit the supply of such services. The Group may therefore be subject to such laws, directly or indirectly. The Group mitigates this risk through monitoring of legal developments, contractual arrangements, and by seeking external advice to assist with the assessment of risk exposures as appropriate.

Outside the European Union the regulatory frameworks are more fragmented. Regulatory developments in the online gaming sector and their implications for the Group are uncertain and government authorities could make assessments and decisions that differ from the Group's understanding or interpretation.

The Group communicated during its Q3 report its priority to grow long term in regulated and soon-to-be regulated markets and hence decided to terminate one of its customer contracts which could potentially harm this development. This will have a short to medium term negative impact on revenue of around EUR2 million in Q1 2019 when compared to Q4 2018, but it is expected to be offset by revenues from existing and new customers on the platform as these grow throughout 2019 and beyond.

Directors' report - continued

Significant risks and uncertainties - continued

This evolving environment makes compliance an increasingly complex area with the risk of non-compliance with territory specific regulations, including responsible gambling and anti-money laundering obligations. These uncertainties represent a risk for the Group's ability to develop and grow the business, as changes in legislation or enforcement practices could force the Group to exit markets, or even result in financial sanctions, litigation, license withdrawal or unexpected tax exposures, which have not been duly provided for in the financial statements. The Group is undergoing a licence review from the UK Gambling Commission and the Group has accrued for EUR2.6 million relating to a potential regulatory settlement as a result of weaknesses in responsible gaming, anti-money laundering and related controls.

During 2019, one of the Company's subsidiaries has entered into a regulatory settlement package with the UK Gambling Commission amounting to EUR1.4 million, which was accrued for as part of the EUR2.6 million.

Pledged securities

The Company has pledged its issued share capital with a nominal value of EUR1 which is owned by the immediate parent and this has been pledged to Nordic Trustee ASA, acting as the agent on behalf of bond holders.

Results and dividends

The income statements are set out on page 17. The directors did not declare a dividend during the current and preceding financial years.

Financial risk management

Information on the Group's and Company's financial risk management is disclosed in Note 3 of the financial statements.

Directors

The directors of the Company who held office during the year were:

- Mr Robin Eirik Reed
- Mr Matti Heikki Metsola (resigned 6 February 2018)
- Mr Jan Mikael Angman (appointed 6 February 2018)

The Company's Articles of Association do not require the directors to retire.

Directors' report - continued

Statement of directors' responsibilities for the financial statements

The directors are required by the Maltese Companies Act (Cap. 386) to prepare financial statements that give a true and fair view of the state of affairs of the Group and the parent company as at the end of each reporting period and of the profit or loss for that period.

In preparing the financial statements, the directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business as a going concern.

The directors are also responsible for designing, implementing and maintaining internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Maltese Companies Act (Cap. 386). The directors are also responsible for safeguarding the assets of the Group and the parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

Mr Robin Eirik Reed
Director

Mr Jan Mikael Angman
Director

Registered office
@GiG Beach
Dragunara Road
St. Julians
STJ3148
Malta

10 April 2019

Independent auditor's report

To the Shareholders of Gaming Innovation Group p.l.c.

Report on the audit of the financial statements

Our opinion

In our opinion:

- Gaming Innovation Group p.l.c.'s Group financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the Group and the Parent Company's financial position as at 31 December 2018, and of the Group's and the Parent Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

What we have audited

Gaming Innovation Group p.l.c.'s financial statements, set out on pages 15 to 87, comprise:

- the Consolidated and Parent Company statements of financial position as at 31 December 2018;
- the Consolidated and Parent Company income statements and statements of comprehensive income for the year then ended;
- the Consolidated and Parent Company statements of changes in equity for the year then ended;
- the Consolidated and Parent Company statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and the Parent Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these Codes.

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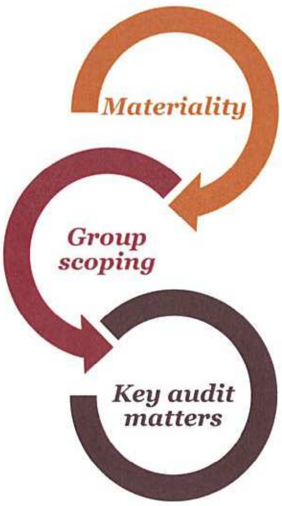
Independent auditor's report - continued

To the Shareholders of Gaming Innovation Group p.l.c.

Our audit approach

Overview



- Overall Group materiality: €1.51 million, which represents 1% of net revenues

- We conducted a full scope audit on the significant components based in Malta, and performed risk based audit procedures on other foreign significant components. Moreover, specified audit procedures were performed on certain account balances.

- Compliance with laws and regulations given the developing nature of the gaming sector
- Accounting for goodwill and intangible assets in the consolidated financial statements

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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Independent auditor's report - *continued*

To the Shareholders of Gaming Innovation Group p.l.c.

Overall Group materiality	€1.51 million
How we determined it	1% of net revenues
Rationale for the materiality benchmark applied	We chose net revenues as the benchmark because, in our view, it is a key financial metric used in assessing the performance of the Group. We chose 1% based on our professional judgement noting that it is also within the range of commonly accepted revenue related benchmarks.

We agreed with the directors that we would report to them misstatements identified during our audit above €151,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter for the group	How our audit addressed the Key audit matter
Compliance with laws and regulations given the developing nature of the gaming sector Refer to page 3 "Significant risks and uncertainties" in the Directors' report and Note 35 "Significant risks and uncertainties". GiG operates on the basis of its international licence in Malta, and other territory specific licences. For internet-based betting operations, there is uncertainty as to which country's law ought to be applied, as the internet operations can be linked to several jurisdictions. Regulations are developing, and this evolving environment makes compliance an increasingly complex area with the potential for litigation and licence withdrawal resulting from non-compliance with territory specific regulations, including responsible gambling and anti-money laundering obligations.	We evaluated how management monitors legal and regulatory developments, and their assessment of the potential impact on the business. We inquired of management, and the Group's director of legal & compliance about any known instances of material breaches in regulatory or licence requirements that needed to be disclosed, or accruals or provisions to be recorded. In particular, we considered correspondence around the licence review undertaken by the UK Gambling Commission and, enquired on the basis for the Group's accrual for a regulatory settlement of €2.6 million, also referring to developments subsequent to the year end on the matter. Whilst acknowledging that there are instances where this becomes a judgemental area, we found that the Group had an appropriate basis of accounting for these

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Key audit matter for the group	How our audit addressed the Key audit matter
The risk of non-compliance with relevant laws and licence requirements could give rise to material fines, taxes, penalties, legal claims or market exclusion. To this effect, as disclosed in Note 35, the Group has accrued for €2.6 million relating to potential fines resulting from weaknesses in responsible gaming, anti-money laundering and related controls, identified as part of a licence review from the UK Gambling Commission. We focused on this area due to its inherent complexity and potential material fines.	matters in the financial statements, and the resultant disclosures in the financial statements were appropriate.
Assessment of impairment for goodwill and intangible assets in the consolidated financial statements	
As described in the accounting policies, and notes 4 and 5 to the financial statements, the Group tests whether goodwill and other intangible assets are impaired on an annual basis. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows, referred to as a cash generating unit ("CGU"). The Group operates B2C and B2B segments, the latter including performance marketing and technology services. Goodwill with a carrying amount of €53.9 million as at 31 December 2018, has arisen from a number of acquisitions made during prior financial years. Such acquisitions included intangible assets with indefinite lives (including domains and trademarks) with a carrying amount of €10.9 as at the year end. During the current financial year, another domain was acquired upon merger (refer to Note 32.1a) at a fair value of €6.4 million. Due to a change in the Group's strategy to focus marketing on fewer brands, management conducted a detailed impairment review of the projected cash flows from the above mentioned domains as at 31 December 2018, which resulted in an impairment charge of €13.7m.	As part of our work on the impairment assessment of goodwill and other intangible assets, we evaluated the appropriateness of the methodology applied, and the assumptions underlying the discounted cash flow model prepared by management, by involving our valuation specialists.The calculations underlying the impairment model were reviewed in order to check the model's accuracy. Our valuation specialists assessed the discount rate and long-term growth assumptions applied in the discounted cash flow model. We found these to be within a reasonable range of our expectations. Following the change in the Group's strategy, we tested the basis for the impairment charge reflected in the financial statements, with reference to management plans, and projected cash flows for the respective domains. We compared past forecasts to actual results and performed a sensitivity analysis to assess whether a reasonable change in key assumptions could result in further impairment of intangibles. We placed emphasis on the B2C CGU following the result reported for this segment in the current financial year.

Independent auditor's report - *continued*

To the Shareholders of Gaming Innovation Group p.l.c.

Key audit matter for the group	How our audit addressed the Key audit matter
The impairment assessments for goodwill and other intangible assets relied on value-in-use calculations based on the estimated future free cash flow to be generated by the CGUs, discounted to present value at an appropriate discount rate based on GiG's estimated weighted average cost of capital. The cash flow projections were based on the Group's approved budget for 2019, projection of free cash flows for the period 2020 – 2022, as well as an estimate of the residual value. The perpetual growth rate was assumed at 2%. The forecast free cash flows to be generated by each CGU, and the rate at which such free cash flows are discounted, are based on a number of assumptions that require significant judgement, particularly with regard to the assumed future earnings and the assessment of the related risk factors. Such forecast free cash flow may be affected by unexpected changes in future market and economic conditions. Given the inherent judgement required in the impairment assessment as well as the materiality of goodwill and the other indefinite lived intangible assets, this area is being identified as an area of audit focus. Further information is disclosed in Notes 4 and 5 to the financial statements.	Should the achieved growth in revenue and earnings for B2C be materially lower than that assumed by management in its cash flow forecast and this is not compensated by savings in marketing and/or operating expenses, then an impairment charge may arise. In relation to B2B, in view of the extent of headroom for the performance marketing business activity, a significant deterioration in performance would need to occur for its assets to be impaired. With regards to technology services, due to the start-up nature of this activity, we concur with management's view that the impairment assessment for this part of the business is more uncertain. The appropriateness of disclosures made in relation to the impairment assessment of these intangible assets was also reviewed.

Independent auditor's report - continued

To the Shareholders of Gaming Innovation Group p.l.c.

We have no key audit matters to report with respect to our audit of the parent company financial statements.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

We performed audit procedures on the significant components, which are primarily based in Malta, and subject to statutory local audit requirements. Certain foreign components deemed to be significant were subject to audit procedures through a risk-based approach. We issued specified instructions to the component auditor of Rebel Penguin and considered the outcome of the work.

The Group audit team performed all of this work by applying overall Group materiality, together with additional procedures performed on the consolidation. This gave us sufficient appropriate audit evidence for our opinion on the Group financial statements as a whole.

Independent auditor's report - continued

To the Shareholders of Gaming Innovation Group p.l.c.

Other information

The directors are responsible for the other information. The other information comprises the directors' report (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information, including the directors' report.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above 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.

With respect to the directors' report, we also considered whether the directors' report includes the disclosures required by Article 177 of the Maltese Companies Act (Cap. 386).

Based on the work we have performed, in our opinion:

- The information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386).

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the directors' report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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 directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

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Independent auditor's report - *continued*

To the Shareholders of Gaming Innovation Group p.l.c.

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 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.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent auditor's report - *continued*

To the Shareholders of Gaming Innovation Group p.l.c.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Other matters on which we are required to report by exception

We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion:

- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.
- We have not received all the information and explanations we require for our audit.
- Certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

We have nothing to report to you in respect of these responsibilities.

PricewaterhouseCoopers
78, Mill Street
Qormi
Malta

Romina Soler
Partner

10 April 2019

Statements of financial position

		Group		Company	
		As at 31 December			
	Notes	**2018**	2017	**2018**	2017
		€	€	**€**	€
ASSETS					
Non-current assets					
Intangible assets	5	**123,134,683**	139,288,686	**32,729**	79,099
Property, plant and equipment	6	**4,398,575**	3,367,923	**-**	-
Investments in subsidiaries	7	**-**	-	**136,103,321**	92,556,250
Investments accounted for using the equity method	8	**574,574**	204,282	**574,574**	204,282
Deferred income tax assets	22	**60,393**	615,600	**-**	-
Financial assets at fair value through other comprehensive income	9	**1,851,516**	-	**1,851,516**	-
Available for sale financial assets	10	**-**	1,866,750	**-**	1,866,750
Derivative financial instruments	11	**205,714**	205,714	**-**	-
Financial assets at fair value through profit or loss	12	**145,254**	-	**145,254**	-
Total non-current assets		**130,370,709**	145,548,955	**138,707,394**	94,706,381
Current assets					
Trade and other receivables	13	**29,189,628**	27,489,559	**14,523,507**	62,845,456
Cash at bank and other intermediaries	14	**14,595,582**	11,738,253	**29,362**	309,423
Total current assets		**43,785,210**	39,227,812	**14,552,869**	63,154,879
Total assets		**174,155,919**	184,776,767	**153,260,263**	157,861,260

Statements of financial position - continued

		Group		Company	
		As at 31 December			
	Notes	**2018**	2017	**2018**	2017
		€	€	**€**	€
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	15	**50,000**	50,000	**50,000**	50,000
Share premium	15	**2,304,345**	2,304,345	**2,304,345**	2,304,345
Capital reserves	17	**100,672,331**	9,829,545	**80,545,181**	7,014,167
Merger reserve	18	**3,533,484**	-	**5,886,789**	-
Other reserves	19	**(12,432,630)**	(12,550,865)	**714,227**	729,461
Accumulated (losses) / retained earnings		**(18,924,739)**	2,162,813	**(1,080,280)**	2,873,796
		75,202,791	1,795,838	**88,420,262**	12,971,769
Non-controlling interests		**25,453**	23,471	**-**	-
Total equity		**75,228,244**	1,819,309	**88,420,262**	12,971,769
Liabilities					
Non-current liabilities					
Borrowings	21	**64,229,542**	66,465,902	**64,229,542**	66,465,902
Deferred income tax liabilities	22	**954,830**	828,612	**448,204**	448,204
Total non-current liabilities		**65,184,372**	67,294,514	**64,677,746**	66,914,106
Current liabilities					
Trade and other payables	20	**33,307,775**	27,213,250	**122,245**	4,042,360
Current income tax liabilities		**435,528**	1,126,759	**40,010**	40,316
Borrowings	21	**-**	87,322,935	**-**	73,892,709
Total current liabilities		**33,743,303**	115,662,944	**162,255**	77,975,385
Total liabilities		**98,927,675**	182,957,458	**64,840,001**	144,889,491
Total equity and liabilities		**174,155,919**	184,776,767	**153,260,263**	157,861,260

The notes on pages 26 to 87 are an integral part of these financial statements.

The financial statements on pages 15 to 87 were authorised for issue on 10 April 2019 and were signed by:

Mr Robin Eirik Reed
Director

Mr Jan Mikael Angman
Director

Income statements

		Group		Company	
		Year ended 31 December			
	Notes	**2018**	2017	**2018**	2017
		€	€	**€**	€
Net revenue	23	**151,371,576**	120,969,393	**-**	-
Investment and other related income	24	**-**	-	**2,406,198**	-
Operating expenses					
Personnel expenses	25	**(32,502,578)**	(22,815,335)	**(50,730)**	-
Depreciation and amortisation	5, 6	**(19,973,323)**	(10,861,342)	**(46,471)**	(4,403)
Impairment losses	5, 7	**(13,726,042)**	-	**(7,320,000)**	-
Marketing, including commission		**(47,235,022)**	(46,954,909)	**(154)**	(4)
Other operating expenses	23	**(53,995,457)**	(35,626,649)	**(136,305)**	(274,886)
Total operating expenses		**(167,432,422)**	(116,258,235)	**(7,553,660)**	(279,293)
Other losses	26	**(24,000)**	(150,269)	**-**	-
Share of net (loss)/profit of associate accounted for using the equity method	8	**(90,008)**	4,282	**(90,008)**	4,282
Operating (loss)/profit		**(16,174,854)**	4,565,171	**(5,237,470)**	(275,011)
Finance income	27	**764,278**	1,586,227	**6,786,560**	4,815,915
Finance costs	28	**(4,860,314)**	(3,153,261)	**(4,855,424)**	(3,149,270)
(Loss)/profit before income tax		**(20,270,890)**	2,998,137	**(3,306,334)**	1,391,634
Income tax expense	29	**(814,680)**	(972,503)	**(647,742)**	-
(Loss)/profit for the year		**(21,085,570)**	2,025,634	**(3,954,076)**	1,391,634
(Loss)/profit is attributable to:					
Owners of the company		**(21,087,552)**	2,008,120	**(3,954,076)**	1,391,634
Non-controlling interests		**1,982**	17,514	**-**	-
		(21,085,570)	2,025,634	**(3,954,076)**	1,391,634

The notes on pages 26 to 87 are an integral part of these financial statements.

Statements of comprehensive income

		Group		Company	
		Year ended 31 December			
	Note	**2018**	2017	**2018**	2017
		€	€	**€**	€
(Loss)/profit for the year		**(21,085,570)**	2,025,634	**(3,954,076)**	1,391,634
Other comprehensive income					
Items that may subsequently be reclassified to profit or loss					
Changes in fair value of available-for-sale financial assets, net of deferred tax	19	**-**	1,280,583	**-**	832,379
Exchange differences on translation of foreign operations	19	**133,469**	(550,462)	**-**	-
		133,469	730,121	**-**	832,379
Items that will not be reclassified to profit or loss					
Change in fair value of fair value through other comprehensive income investment, net of deferred tax	19	**(15,234)**	-	**(15,234)**	-
Total other comprehensive income for the year, net of deferred tax		**118,235**	730,121	**(15,234)**	832,379
Total comprehensive (loss)/income for the year		**(20,967,335)**	2,755,755	**(3,969,310)**	2,224,013
Total comprehensive (loss)/income for the year is attributable to:					
Owners of the company		**(20,969,317)**	2,738,241	**(3,969,310)**	2,224,013
Non-controlling interests		**1,982**	17,514	**-**	-
		(20,967,335)	2,755,755	**(3,969,310)**	2,224,013

The notes on pages 26 to 87 are an integral part of these financial statements.

Statements of changes in equity

Group		Attributable to owners of the company								
	Notes	**Share capital €**	**Share premium €**	**Capital reserves €**	**Merger reserve €**	**Other reserves €**	**Retained earnings €**	**Total €**	**Non-controlling interest €**	**Total equity €**
Balance at 1 January 2017		2,628	2,304,345	4,584,459	-	(13,304,893)	178,600	(6,234,861)	5,957	(6,228,904)
Comprehensive income										
Profit for the year		-	-	-	-	-	2,008,120	2,008,120	17,514	2,025,634
Other comprehensive income:										
Changes in value of available-for-sale financial assets	19	-	-	-	-	1,280,583	-	1,280,583	-	1,280,583
Currency translation differences	19	-	-	-	-	(550,462)		(550,462)	-	(550,462)
Total other comprehensive income for the year, net of tax		-	-	-	-	730,121	-	730,121	-	730,121
Total comprehensive income for the year		-	-	-	-	730,121	2,008,120	2,738,241	17,514	2,755,755

Statements of changes in equity – continued

Group		Attributable to owners of the company								
	Notes	Share capital €	Share premium €	Capital reserves €	Merger reserve €	Other reserves €	Retained earnings €	Total €	Non-controlling interest €	Total equity €
Transactions with owners										
Increase in share capital	15	47,372	-	-	-	-	-	47,372	-	47,372
Value of employee services	17	-	-	1,666,560	-	-	-	1,666,560	-	1,666,560
Value of shares granted for the acquisition of intangible assets	17	-	-	3,578,526	-	-	-	3,578,526	-	3,578,526
Other	19	-	-	-	-	23,907	(23,907)	-	-	-
Total transactions with owners, recognised directly in equity		47,372	-	5,245,086	-	23,907	(23,907)	5,292,458	-	5,292,458
Balance at 31 December 2017		50,000	2,304,345	9,829,545	-	(12,550,865)	2,162,813	1,795,838	23,471	1,819,309

Statements of changes in equity – continued

Group

		Attributable to owners of the company								
	Notes	**Share capital €**	**Share premium €**	**Capital reserves €**	**Merger reserve €**	**Other reserves €**	**Retained earnings €**	**Total €**	**Non-controlling interest €**	**Total equity €**
Balance at 1 January 2018		50,000	2,304,345	9,829,545	-	(12,550,865)	2,162,813	1,795,838	23,471	1,819,309
Comprehensive income										
(Loss)/profit for the year		-	-	-	-	-	(21,087,552)	(21,087,552)	1,982	(21,085,570)
Other comprehensive income:										
Changes in value of financial assets at fair value through other comprehensive income	19	-	-	-	-	(15,234)	-	(15,234)	-	(15,234)
Currency translation differences	19	-	-	-	-	133,469		133,469	-	133,469
Total other comprehensive income for the year, net of tax		-	-	-	-	118,235	-	118,235	-	118,235
Total comprehensive income for the year		-	-	-	-	118,235	(21,087,552)	(20,969,317)	1,982	(20,967,335)

Statements of changes in equity – continued

Group		Attributable to owners of the company								
	Notes	Share capital €	Share premium €	Capital reserves €	Merger reserve €	Other reserves €	Retained earnings €	Total €	Non-controlling interest €	Total equity €
Transactions with owners										
Value of employee services	17	-	-	1,077,782	-	-	-	1,077,782	-	1,077,782
Waiver of loans payable	17	-	-	89,765,004	-	-	-	89,765,004	-	89,765,004
Merger reserve created upon business combinations	18	-	-	-	3,533,484	-	-	3,533,484	-	3,533,484
Total transactions with owners, recognised directly in equity		-	-	90,842,786	3,533,484	-	-	94,376,270	-	94,376,270
Balance at 31 December 2018		**50,000**	**2,304,345**	**100,672,331**	**3,533,484**	**(12,432,630)**	**(18,924,739)**	**75,202,791**	**25,453**	**75,228,244**

Statements of changes in equity – continued

Company	Notes	Share capital €	Share premium €	Capital reserves €	Merger reserve €	Other reserves €	Retained earnings €	Total €
Balance at 1 January 2017		2,628	2,304,345	3,435,641	-	(102,918)	1,482,162	7,121,858
Comprehensive income								
Profit for the year		-	-	-	-	-	1,391,634	1,391,634
Other comprehensive income:								
Changes in value of available-for-sale financial assets, net of deferred taxation	19	-	-	-	-	832,379	-	832,379
Total comprehensive income for the year		-	-	-	-	832,379	1,391,634	2,224,013
Transactions with owners								
Increase in share capital	15	47,372	-	-	-	-	-	47,372
Value of shares granted for the acquisition of intangible assets	17	-	-	3,578,526	-	-	-	3,578,526
Total transactions with owners, recognised directly in equity		47,372	-	3,578,526	-	-	-	3,625,898
Balance at 31 December 2017		50,000	2,304,345	7,014,167	-	729,461	2,873,796	12,971,769

Statements of changes in equity – continued

Company	Notes	Share capital €	Share premium €	Capital reserves €	Merger reserve €	Other reserves €	Retained earnings €	Total €
Balance at 1 January 2018		50,000	2,304,345	7,014,167	-	729,461	2,873,796	12,971,769
Comprehensive income								
Loss for the year		-	-	-	-	-	(3,954,076)	(3,954,076)
Other comprehensive income:								
Changes in value of financial assets at fair value through other comprehensive income, net of deferred taxation	19	-	-	-	-	(15,234)	-	(15,234)
Total comprehensive income for the year		-	-	-	-	(15,234)	(3,954,076)	(3,969,310)
Transactions with owners								
Merger reserve created upon business combinations	18	-	-	-	5,886,789	-	-	5,886,789
Waiver of loan payable	17	-	-	73,531,014	-	-	-	73,531,014
Total transactions with owners, recognised directly in equity		-	-	73,531,014	5,886,789	-	-	79,417,803
Balance at 31 December 2018		**50,000**	**2,304,345**	**80,545,181**	**5,886,789**	**714,227**	**(1,080,280)**	**88,420,262**

The notes on pages 26 to 87 are an integral part of these financial statements.

Statements of cash flows

		Group		Company	
		Year ended 31 December			
	Notes	**2018**	2017	**2018**	2017
		€	€	**€**	€
Cash flows from operating activities					
Cash generated from operations	31	**18,737,084**	13,748,396	**5,763,961**	2,080,718
Interest received		**6,095**	6,237	**-**	-
Interest paid		**(4,483,328)**	(1,478,793)	**(4,483,329)**	(1,474,793)
Tax (paid)/refunded		**(624,196)**	(202,413)	**(306)**	40,317
Net cash generated from operating activities		**13,635,655**	12,073,427	**1,280,326**	646,242
Cash flows from investing activities					
Payments for intangible assets	5	**(9,458,357)**	(54,478,589)	**-**	(79,099)
Purchases of property, plant and equipment	6	**(2,511,435)**	(3,104,667)	**-**	-
Acquisition of associates	8	**(460,300)**	(200,000)	**(460,300)**	(200,000)
Acquisition of subsidiaries	7	**-**	(9,119,996)	**(603,599)**	(1,132)
Advances to related parties		**-**	-	**-**	(55,956,871)
Net cash used in investing activities		**(12,430,092)**	(66,903,252)	**(1,063,899)**	(56,237,102)
Cash flows from financing activities					
Proceeds from the issuance of ordinary shares	15	**-**	47,372	**-**	47,372
Loans to associate investment	12	**(145,254)**	-	**(145,254)**	
Net proceeds from the issuance of bonds	21	**-**	66,956,337	**-**	66,956,337
Repayments of borrowings	21	**(537,018)**	(7,866,505)	**(361,695)**	(11,105,067)
Net cash (used in)/generated from financing activities		**(682,272)**	59,137,204	**(506,949)**	55,898,642
Net movement in cash and cash equivalents		**523,291**	4,307,379	**(290,522)**	307,782
Cash and cash equivalents at beginning of year		**5,504,976**	1,197,597	**309,423**	1,641
Cash and cash equivalents received upon business combinations		**44,341**	-	**10,461**	-
Cash and cash equivalents at end of year	14	**6,072,608**	**5,504,976**	**29,362**	**309,423**

The notes on pages 26 to 87 are an integral part of these financial statements.

Notes to the financial statements

1. Summary of significant accounting policies

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

1.1 Basis of preparation

The consolidated financial statements include the financial statements of Gaming Innovation Group p.l.c. ("GIG p.l.c. or "the Company") and its subsidiaries. These financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386). They have been prepared under the historical cost convention, as modified by the fair valuation of financial assets at fair value through other comprehensive income (2017: available-for-sale financial assets) and financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain critical accounting estimates. It also requires the directors to exercise their judgement in the process of applying the Group's accounting policies (see Note 4 – Critical accounting estimates, judgements and errors).

Going concern

As at 31 December 2018, the net current assets and net assets of the Group amounted to EUR10,041,907 and EUR75,228,244 respectively. The Group's net equity has strengthened following the capitalisation of an intra-group loan as further disclosed in Note 13. The Group's bond, with a year-end carrying amount of EUR64,229,542 as further detailed in Note 21, is repayable in March 2020. The directors are currently considering the options available to the Group, which include the re-financing of the bond. Although the future re-financing options are still under consideration, the directors do not believe that this matter impacts the going concern basis of preparation.

Merger of legal entities

During the current financial year, related companies forming part of the GIG Inc. Group have been merged into Gaming Innovation Group p.l.c (as further described in Note 32 to the financial statements). On 27 September 2018, documents were drawn up by the directors in accordance with and for the purposes of Article 358 of the Maltese Companies Act (Cap. 386), which documents were delivered to the Registrar of Companies on 20 December 2018. Under the terms of the merger, the transactions of the amalgamated companies have been treated for accounting purposes as being those of the acquiring company with effect from 1 January 2018.

All companies involved in these mergers are deemed to be entities under common control. The key feature of a transaction among entities under common control is that there is no change in the ultimate ownership of the entities involved as a result of the transaction. For the purposes of preparing these financial statements, Gaming Innovation Group p.l.c. applied the predecessor method of accounting to reflect the transactions referred to above (refer to accounting policy 1.4 'Business combinations').

Standards, interpretations and amendments to published standards effective in 2018

In 2018, the Group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 January 2018. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Group's accounting policies.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

Standards, interpretations and amendments to published standards effective in 2018 - continued

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018. The adoption of IFRS 15 although resulting in changes to accounting policies did not impact the amounts recognised as at 31 December 2017 nor was there any impact resulting from changes in presentation of line items.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2015. Amongst others, it replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss or through OCI, the irrevocable option is at inception. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. The impact of IFRS 9 on financial assets is disclosed in note 3.1. The Group's and the Company's financial liabilities continue to be measured at amortised cost under IFRS 9 consistently with IAS 39.

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the Group's accounting periods beginning after 1 January 2018. The Group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Group's directors are of the opinion that, with the exception of the below, there are no requirements that will have a possible significant impact on the Group's financial statements in the period of initial application.

Under IFRS 16, "Leases", a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. IFRS 16 removes the distinction between operating and finance leases for lessees, and requires them to recognise a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts; the only exceptions are short-term and low-value leases. The standard is effective for annual periods beginning on or after 1 January 2019. The Company will apply the standard from its mandatory adoption date of 1 January 2019 and will apply the simplified transition approach. Under this approach, the Company will not restate comparative amounts for the year prior to first adoption, the lease liability is measured at the present value of the remaining lease payments as at 1 January 2019, and the right-of-use assets at that date will be measured at an amount equivalent to this lease liability plus prepaid lease expenses.

The Company has entered into lease arrangements for the use of immovable properties; these arrangements were classified as operating leases under IAS 17. As at the reporting date, the Company has non-cancellable operating lease commitments in respect of the lease of these immovable properties which amounted to €13.1m.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

Standards, interpretations and amendments to published standards that are not yet effective - continued

Management has estimated that the lease liability for the lease arrangement amounts to €14.1m, and the right-of-use asset at that date amounts to €14.1m, there is no adjustment to equity upon initial application of the standard. The adoption of IFRS 16 will also result in the replacement of operating lease rental expenditure on this arrangement by amortisation of the right-of-use asset, and by an interest cost on the lease liability. Management estimates that rental costs on this arrangement, amounting to €3.7m for the year ending 31 December 2019, will be replaced by an annual amortisation charge on the right-of-use asset amounting to €1.6m and a notional interest expense of €0.8m. The adoption of IFRS 16 will therefore result in an increase of €1.3m in profitability for the year ending 31 December 2019.

Rental payments under IFRS 16 are allocated between interest payments and a reduction in the lease liability, with a corresponding impact on the Company's statement of cash flows. The reduction in lease liability, amounting to €1.8m for the year ending 31 December 2019, will accordingly be reported as a financing cash flow instead of an operating cash flow. The Company is assessing whether to present rental payments allocated to interest, amounting to €0.5m for the year ending 31 December 2019, as financing cash flows or as operating cash flows.

In the opinion of the Company's Directors, there are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

1.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable return from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method of accounting to account for business combinations that fall within the scope of IFRS 3. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed (identifiable net assets) in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Goodwill is initially measured as the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired. If this is less than the fair value of the identifiable net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss (Note 1.4).

1. Summary of significant accounting policies - continued

1.2 Consolidation - continued

(a) Subsidiaries - continued

Upon consolidation, inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's separate financial statements, investments in subsidiaries are accounted for by the cost method of accounting, i.e. at cost less impairment. Cost includes directly attributable costs of the investment. Cost also includes the vested portion of the grant date fair value of share options which the Company grants as remuneration to employees and other consultants who provide services to the Company's subsidiaries.

Provisions are recorded where, in the opinion of the directors, there is an impairment in value. Where there has been an impairment in the value of an investment, it is recognised as an expense in the period in which the diminution is identified. The results of subsidiaries are reflected in the Company's separate financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

(b) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 1.8.

1. Summary of significant accounting policies - continued

1.2 Consolidation - continued

(c) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests, where the acquisition or disposal of partial interests in a subsidiary has no impact on the Group's ability to control the subsidiary's financial and operating policies, as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

1.3 Segment information

The Group determines and presents operating segments based on the information that internally is provided to the Group's management team, which is the Group's chief operating decision-maker in accordance with the requirements of IFRS 8 'Operating segments'.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the Group's other components, and for which discrete financial information is available. An operating segment's operating results are reviewed regularly by the Group's management team to make decisions about resources to be allocated to the segment and to assess its performance executing the function of the chief operating decision-maker.

1.4 Business combinations

Business combinations between entities under common control, which do not fall within the scope of IFRS 3, are accounted for using predecessor method of accounting. Under the predecessor method of accounting, assets and liabilities are incorporated at the predecessor carrying values which are the carrying amounts of assets and liabilities of the acquired entity from the financial statement amounts of the acquired entity.

No new goodwill arises in predecessor accounting, and any differences between the consideration given and the aggregate book value of the assets and liabilities (as of the date of the transaction) of the acquired entity, is included in equity in a separate reserve. The financial statements incorporate the acquired entities' results and balance sheet prospectively from the date on which the business combination between entities under common control occurred.

1. Summary of significant accounting policies - continued

1.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in euro ("€"), which is the functional currency of the parent company.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. The Group's and the Company's accounting policy is to present all exchange differences within finance (costs)/income – net, including exchange differences arising on cash and cash equivalents and amounts due from payment providers.

(c) Group companies

Income statements of foreign entities are translated into the Group's presentation currency at the average exchange rates for the year and statements of financial position are translated at the exchange rates ruling at year-end. All resulting translation differences are recognised in other comprehensive income.

Exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. On disposal or partial disposal of a foreign entity, translation differences that were previously recognised in other comprehensive income are recognised in profit or loss as part of the gain or loss on sale.

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. Translation differences are recognised in other comprehensive income.

1.6 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of identifiable net assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that are expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

1. Summary of significant accounting policies - continued

1.6 Intangible assets - continued

(a) Goodwill - continued

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Domains

Domains comprise the value of domain names acquired by the Group as well as the value derived from the search engine optimisation activity embedded in the acquired portfolios. Separately acquired domains are shown at historical cost, which represent their acquisition price and certain domains are expected to have a useful life of 8 years. Amortisation is calculated using the straight-line method to allocate the cost of domains over their estimated useful lives. Other domains have an indefinite useful life.

(c) Affiliate contracts

Acquired affiliate contracts are shown at historical cost and are deemed to have a useful life of three years, determined by reference to the expected user churn rate. Amortisation is calculated using the straight-line method to allocate the cost of affiliate contracts over their estimated useful lives.

(d) Computer software and technology platforms

Acquired computer software and platforms are capitalised on the basis of the costs incurred to acquire and bring to use these assets. These costs are amortised over their estimated useful lives of three years or, in the case of computer software, over the term of the licence agreement, if different.

Costs associated with maintaining these intangibles are recognised as an expense when incurred. Development costs that are directly attributable to the design of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Directly attributable costs that are capitalised as part of these intangible assets include the development employee costs.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

1. Summary of significant accounting policies - continued

1.7 Property, plant and equipment

All property, plant and equipment is initially recorded at historical cost and subsequently carried at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated on the straight-line method to write off the cost of each asset to their residual values over their estimated useful life as follows:

	Years
Installations and improvements to premises	3 - 6
Computer equipment	3
Furniture and fittings	3 - 6

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1.8).

Gains and losses on disposals of plant and equipment are determined by comparing the proceeds with carrying amount and are recognised within profit or loss.

1.8 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

1.9 Financial assets

1.9.1 Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

1. Summary of significant accounting policies - continued

1.9 Financial assets - continued

1.9.1 Classification - continued

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

1.9.2 Recognition and derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

1.9.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(a) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

1. Summary of significant accounting policies - continued

1.9.3 Measurement - continued

(b) Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

1.9.4 Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 3.1 for further details.

1.9.5 Accounting policies applied until 31 December 2017

The Group has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

(a) Classification

Until 31 December 2017, the Group classified its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables, and
- available-for-sale financial assets.

The classification depended on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition.

(b) Reclassification

Financial assets other than loans and receivables were permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that was unusual and highly unlikely to recur in the near term.

Reclassifications were made at fair value as of the reclassification date. Fair value became the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date were subsequently made. Effective interest rates for financial assets reclassified to loans and receivables were determined at the reclassification date. Further increases in estimates of cash flows adjusted effective interest rates prospectively.

1. Summary of significant accounting policies - continued

1.9.5 Accounting policies applied until 31 December 2017 - continued

(c) Subsequent measurement

The measurement at initial recognition did not change on adoption of IFRS 9, see description above.

Subsequent to the initial recognition, loans and receivables and held-to-maturity investments were carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at FVPL were subsequently carried at fair value. Gains or losses arising from changes in the fair value were recognised as follows:

- for financial assets at FVPL – in profit or loss within other gains/(losses)
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security were recognised in profit or loss and other changes in the carrying amount were recognised in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

Details on how the fair value of financial instruments is determined are disclosed in note 3.1.

When securities classified as available-for-sale were sold, the accumulated fair value adjustments recognised in other comprehensive income were reclassified to profit or loss as gains and losses from investment securities.

(d) Impairment

The Group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost was considered an indicator that the assets are impaired.

(e) Assets carried at amortised cost

For loans and receivables, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in profit or loss. If a loan had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract. As a practical expedient, the group could measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreased and the decrease could be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss was recognised in profit or loss.

Impairment testing of trade receivables is described in note 3.1.

1. Summary of significant accounting policies - continued

1.9.5 Accounting policies applied until 31 December 2017 - continued

(f) Assets classified as available-for-sale

If there was objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – was removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss were not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increased in a subsequent period and the increase could be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss was reversed through profit or loss.

1.10 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business, if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment (Note 1.9.3). The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against profit or loss.

1.11 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand and deposits held at call with banks and e-wallets, net of restricted balances.

1.12 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

1.13 Financial liabilities

The Group recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The Group's financial liabilities are classified as financial liabilities which are not at fair value through profit or loss (classified as 'Other liabilities') under IFRS 9. Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost. The Group derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

1. Summary of significant accounting policies - continued

1.14 Trade and other payables

Trade payables are obligations to pay for services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.15 Borrowings

Borrowings are recognised initially at the fair value of proceeds received, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

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

1.16 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1.17 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1. Summary of significant accounting policies - continued

1.18 Share-based payments

The Company's parent operates a number of equity-settled and cash-settled, share-based compensation plans. Through these plans, the Group, through various companies within the Group, receives services from employees and consultants, or purchases intangible assets, as consideration for (a) equity instruments (options) of the Company's parent, or (b) cash payments based on the increase in value of its shares between the market value upon exercise and a pre-determined strike price. The fair value of the employee services received in exchange for the grant of the options is recognised by the Group as an expense.

(a) Equity-settled share-based payments

For equity-settled share-based payments, the total amount to be expensed is determined by reference to the fair value of the options granted:
- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to hold shares for a specific period of time).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company's parent, or another entity at the request of the Company's parent, transfers shares to the employees.

The grant by the Company's parent of options over its equity instruments to the employees of the Group is treated as a capital contribution on the basis that the Group does not compensate its parent for the fair value of shares granted. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an expense, with a corresponding credit to equity.

(b) Cash-settled share-based payments

For plans where the Company's parent grants employees cash compensation based on the value of its shares, the Company's parent recognises a liability over the relevant vesting period. The liability is remeasured to fair value at each reporting date, and is determined by reference to the same valuations assumptions described above.

For cash-settled plans, the Group is required to compensate the Company's parent for the amount equivalent to the cash payment made by the Company's parent to employees of the Group. Accordingly, the Group recognises the fair value of the obligation to its parent as a liability in these financial statements, measured at an amount equivalent to the liability of the cash-settled scheme at each reporting date, with the corresponding entry recognised as an employee-benefit expense.

Revenue comprises the fair value of the consideration received or receivable for the supply of services in the ordinary course of the Group's activities. The Group recognises revenue, including other operating revenue, when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met as described below.

1. Summary of significant accounting policies - continued

1.19 Revenue recognition

GIG Gaming

Gaming transactions that are not deemed to be financial instruments, where the Group revenues stem from commissions, are recorded in accordance with IFRS 15 'Revenue from Contracts with Customers'. The revenue recognised in this manner relates to Poker. Such revenue represents the commission charged at the conclusion of each poker hand in cash games (i.e.rake). The Group's performance obligation in this service is the provision of the poker game to the individual players. The performance obligation is satisfied and the Group is entitled to its share of the pot (i.e. the rake) once each poker hand is complete. In this respect, revenue recognition under IFRS 15 should remain consistent with that under IAS 18 (i.e. to recognise revenue as each hand is complete).

Revenue from gaming transactions that are deemed to be financial instruments, where the Group takes open positions against players, are recognised as a net fair value gain or loss after the deduction of players' winnings, bonuses and gaming taxes. The revenue recognised in this manner relates to sports betting and casino. These are governed by IFRS 9 and thus out of scope of IFRS 15.

Revenue from transactions where the Group is taking positions against players, such as sports betting and online casino, is recognised when the outcome of an event is known. Revenue from commission arising on transactions where the company does not take open position against players, such as poker, is recognised when players place wagers in a pool.

GIG Core

In contracting with white label operators, the Group considers that it is acting as an intermediary between the third party platform and the related service providers. On this basis revenue is recognised net of payments made to service providers.

Costs that are not reported as part of the net gain or loss within revenue include inter alia bank charges, fees paid to platform and payment providers and certain gaming taxes.

In contracting with own license operators, the Group generates revenue by entering into a revenue share deal or a fixed deal where such revenue is apportioned on an accrual basis over the whole term of the contract. The consideration for such services is generally split between an initial setup to configure the software as per the customer's requirements and on-going charge invoiced monthly.

The uncertainty on the amount of revenue to be received is resolved at each calendar month-end since the contracts are such that the amounts reset to zero on a monthly basis. Accordingly, it would be appropriate for GIG to recognise the monthly amounts invoiced in P&L.

The only difference between accounting for such arrangements under the previous revenue standard and IFRS 15 pertains to the set-up fees. Under IAS 18, the set-up fees were deferred over a period of (generally) six months until the go-live date. In accordance with IFRS 15, the set-up is not seen as a distinct PO as the customer cannot benefit from the set-up itself but for the agreement as a whole. Accordingly, the set-up fee is simply seen as being part of the consideration receivable for the software as a service (SAAS) agreement and should therefore be deferred over the period of the agreement.

Management performed a detailed analysis of such impact and concluded that this has an immaterial effect for the Group.

1. Summary of significant accounting policies - continued

1.19 Revenue recognition - continued

GIG Media

For a revenue share deal, the company receives a share of the revenues that the gaming operator has generated as a result of a player playing on their iGaming site. Revenue is recognised in the month that it is earned by the respective gaming operator.

For a cost acquisition deal, a client pays a one-time fee for each player who deposits money on the client's site. Cost per acquisition contracts consist of a pre-agreed rate with the client. Revenue from such contracts is recognised in the month in which the deposits are made.

For a listing deal, a client pays a fixed fee to be listed and critically reviewed on the Company's websites. Such revenue is apportioned on an accrual basis over the term of the contract.

The Group's performance obligation in this respect can be viewed as a series of distinct performance obligations to stand ready to redirect players on a constant basis. Such contacts give rise to variable consideration from an IFRS 15 point of view since the revenues are not fixed at the outset. In view of the nature of the service provided as a monthly stand-ready obligation the Group recognises the income in the month in which it has a contractual right to bill the iGaming operators. This would result in a consistent approach to revenue recognition under IAS 18.

Other

Interest income is recognised in profit or loss for interest-bearing instruments as it accrues, on a time-proportion basis using the effective interest method, unless collectability is in doubt.

Dividend income is recognised when the right to receive payment is established.

1.20 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

1.21 Dividend distribution

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's financial statements in the period in which the obligation to pay a dividend is established.

2. Segment information

The Group operates two segments, the Business to Consumer ("B2C") segment which includes the gaming operations directed towards end users, and the Business to Business ("B2B") segment which includes its platform offering, sports trading, game-studio, front-end services and affiliate marketing. Asset and liability information is not presented by segments as such information is not used for monitoring purposes by the Company.

2018	B2C €	B2B €	Eliminations €	Group €
Net revenue	**99,812,305**	**62,669,272**	**(11,110,001)**	**151,371,576**
Operating expenses				
Personnel expenses	(10,867,900)	(21,634,678)	-	(32,502,578)
Depreciation and amortisation	(1,496,294)	(18,477,035)	-	(19,973,329)
Impairment losses	(13,726,042)	-	-	(13,726,042)
Marketing, including commission	(46,137,407)	(5,793,560)	4,695,945	(47,235,022)
Platform and service provider fees	(27,566,572)	-	4,345,176	(23,221,396)
Other operating expenses	(15,221,409)	(17,690,040)	2,137,394	(30,774,055)
Total operating expenses	**(115,015,624)**	**(63,595,313)**	**11,178,515**	**(167,432,422)**
Other losses	-	(24,000)	-	(24,000)
Share of net profit of associate accounted for using the equity method	-	(90,008)	-	(90,008)
Operating loss	**(15,203,319)**	**(1,040,049)**	**68,514**	**(16,174,854)**
Finance income				764,278
Finance costs				(4,860,314)
Loss before tax				**(20,270,890)**
Tax expense				(814,680)
Loss for the year				**(21,085,570)**

2. Segment information - continued

2017	B2C €	B2B €	Eliminations €	Group €
Net revenue	**85,334,564**	**45,445,961**	**(9,811,132)**	**120,969,393**
Operating expenses				
Personnel expenses	(12,299,285)	(10,516,050)	-	(22,815,335)
Depreciation and amortisation	(989,863)	(9,871,479)	-	(10,861,342)
Marketing, including commission	(48,655,321)	(2,068,612)	3,769,024	(46,954,909)
Platform and service provider fees	(20,565,999)	-	4,023,789	(16,542,210)
Other operating expenses	(11,805,675)	(9,297,083)	2,018,319	(19,084,439)
Total operating expenses	**(94,316,143)**	**(31,753,224)**	**9,811,132**	**(116,258,235)**
Other losses	-	(150,269)	-	(150,269)
Share of net profit of associate accounted for using the equity method	-	4,282	-	4,282
Operating (loss)/profit	**(8,981,579)**	**13,546,750**	**-**	**4,565,171**
Finance income				1,586,227
Finance costs				(3,153,261)
Profit before tax				**2,998,137**
Tax expense				(972,503)
Profit for the year				**2,025,634**

2. Segment information - continued

The following table presents the Group's revenue by product line, net of intra-segment eliminations:

	Group 2018 €	Group 2017 €
B2C		
Casino	**97,861,374**	83,035,969
Sports	**1,591,906**	1,706,779
Poker	**359,025**	591,816
	99,812,305	85,334,564
B2B		
Performance marketing	**29,307,566**	17,925,560
Platform services	**20,084,879**	15,703,719
Other revenue	**2,166,826**	2,005,550
	51,559,271	35,634,829
Net revenue	**151,371,576**	120,969,393

The Group operates in a number of geographical areas as detailed below:

Year ended 31 December 2018	B2C €	B2B €	Total €
Revenue			
Nordic countries	72,050,827	4,009,485	76,060,312
Europe excluding Nordic countries	22,885,253	36,763,446	59,648,699
Rest of world	4,876,225	10,786,340	15,662,565
Total	**99,812,305**	**51,559,271**	**151,371,576**

Year ended 31 December 2017	B2C €	B2B €	Total €
Revenue			
Nordic countries	59,275,603	-	59,275,603
Europe excluding Nordic countries	18,566,516	30,444,118	49,010,634
Rest of world	7,492,445	5,190,711	12,683,156
Total	85,334,564	35,634,829	120,969,393

All employees of the Group for both the current and the previous years were based in Europe. Similarly all assets for the current and the previous years were located in Europe.

3. Financial risk management

3.1 Financial risk factors

The Group's activities potentially expose it to a variety of financial risks principally comprising market risk (including foreign exchange risk, price risk and fair value interest rate risk), credit risk and liquidity risk. The Group provides principles for overall risk management. The Group did not make use of derivative financial instruments to hedge risk exposures during the current and preceding period.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the SEK, GBP, NZD, CAD, USD and NOK. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the entity's functional currency.

The table below summarises the Group and the Company's exposure to foreign currencies, other than the functional currency, as at 31 December 2018 and 2017.

Group	Assets €	Liabilities €	Net exposure €
As at 31 December 2018			
SEK to EUR	1,442,523	(65,057,705)	(63,615,182)
GBP to EUR	1,668,263	(1,657,117)	11,146
NZD to EUR	2,192,467	(79,658)	2,112,809
CAD to EUR	1,011,623	(198,187)	813,436
USD to EUR	729,621	(48,891)	680,730
NOK to EUR	5,833,191	(3,449,174)	2,384,017
Other currencies	451,280	(105,398)	345,882
	13,328,968	**(70,596,130)**	**(57,267,162)**
As at 31 December 2017			
SEK to EUR	2,193,349	(66,980,488)	(64,787,139)
GBP to EUR	2,264,573	(826,314)	1,438,259
NZD to EUR	1,746,415	(35,857)	1,710,558
CAD to EUR	876,938	(55,147)	821,791
USD to EUR	624,212	(67,397)	556,815
NOK to EUR	631,980	(437,730)	194,250
Other currencies	309,276	(205,502)	103,774
	8,646,743	**(68,608,435)**	**(59,961,692)**

3. Financial risk management - continued

3.1 Financial risk factors - continued

(a) Market risk - continued

(i) Foreign exchange risk - continued

Company	Liabilities exposure €
As at 31 December 2018	
SEK to EUR	(64,229,542)
NOK to EUR	(255)
	(64,229,797)

Company	Liabilities exposure €
As at 31 December 2017	
SEK to EUR	(66,465,902)
NOK to EUR	(9,042)
	(66,474,944)

A sensitivity analysis for foreign exchange risk disclosing how profit or loss and equity would have been effected by changes in foreign exchange rates that were reasonably possible at the end of the period was deemed necessary for liabilities denominated in SEK. At the period end, had the SEK exchange rate strengthened or weakened against the euro by 1% with other variables held constant, the increase or decrease respectively in net assets of the Group and the Company would amount to approximately EUR644,136 and EUR635,936 respectively.

A sensitivity analysis for all other assets and liabilities was not deemed necessary on the basis that the directors do not consider the risk to be material.

(ii) Price risk

Management does not consider the Group to be exposed to significant market risk in terms of the online casino since the outcome of wagers is based on a fixed winnings percentage.

The Group is exposed to market risk due to the possibility of an unfavourable outcome on events on which the Group has accepted bets. The Group has adopted risk management policies to mitigate this risk. Management monitors the odds real time to determine the appropriate risk levels for certain events and where possible reacts to large risks by, inter-alia, not accepting bets that exceed the maximum risk limit on an individual bet or by closing the event that was offered as a bet. The risk is spread across a large number of events and sports. The Group's exposure to open bets was not significant as at 31 December 2018 and 2017 and on this basis, management considers the potential impact on profit or loss of a shift in odds that is reasonably possible at the end of the reporting period to be immaterial.

3. Financial risk management - continued

3.1 Financial risk factors - continued

(a) Market risk - continued

(ii) Price risk - continued

Although the Group is also exposed to the possible effect which movements in equity markets may have on the value of the financial asset measured at fair value through other comprehensive income, the directors consider this risk to be immaterial.

The Group elected to present in OCI changes in the fair value of all its equity instruments previously classified as available for sale. As a result, assets with a fair value of EUR1,866,750 were re-classified from available for-sale financial assets at FVOCI and fair value gains of EUR1,177,665 were reclassified from the available for sale finance assets reserve to FVOCI on 1 January 2018.

(iii) Fair value interest rate risk

The Group's and the parent company's significant instruments which are subject to fixed interest rates comprise the bonds issued (Note 20). In this respect, the Group and the company are potentially exposed to fair value interest rate risk in view of the fixed interest nature of these instruments, which are however measured at amortised cost.

The company's other significant interest-bearing instruments, subject to fixed interest rates, comprise advances to a group undertaking. The company has secured a spread between the return on its investments and its cost of borrowing. Accordingly, the company is not exposed to cash flow interest rate risk but is potentially exposed to fair value interest rate risk in view of the fixed interest nature of its instruments, which are however measured at amortised cost.

(b) Credit risk

Credit risk is the risk of a financial loss to the Group and Company if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from outstanding receivables due to the Group and Company's customers and cash and cash equivalents.

The Group and Company's exposure to credit risk is:

	Group		**Company**	
	2018	2017	**2018**	2017
	€	€	**€**	€
Financial assets at amortised cost:				
Trade and other receivables (Note 13)	**11,465,239**	13,416,281	**14,519,308**	62,842,287
Amounts due from payment providers (Note 13)	**12,359,104**	11,221,057	**-**	-
Cash at bank and other intermediaries (Note 14)	**14,595,582**	11,738,253	**29,362**	309,423
Exposure	**38,419,925**	36,375,591	**14,548,670**	63,151,710

The maximum exposure to credit risk at the end of the reporting period in respect of the financial assets mentioned above is equivalent to the gross carrying amount.

3. **Financial risk management** - continued

3.1 Financial risk factors - continued

(b) Credit risk - continued

The Group assesses the credit quality of its customers taking into account financial position, past experience and other factors. It has processes in place to ensure that sales of products and services are effected to customers with an appropriate credit history. The Group monitors the performance of these financial assets on a regular basis to identify incurred collection losses which are inherent in the Group's receivables taking into account historical experience in collection of accounts receivable.

The Group seeks to manage credit risk by only undertaking transactions with counterparties which include financial institutions or intermediaries and payment providers with quality standing. Control structures are in place to assess credit risk on similar lines. The following table provides information regarding the aggregated credit risk exposure, for deposits with bank and financial institutions or intermediaries with external credit ratings as at 31 December 2018 and 2017.

	Group		**Company**	
	2018	2017	**2018**	2017
	€	€	**€**	€
Loans and receivables:				
AA-	**427,371**	448	**(54)**	(54)
A+	**3,559,494**	22,252	**8,003**	-
A	**53,117**	-	**-**	-
A-	**-**	267,922	**-**	1,653
BBB+	**892,710**	2,568,627	**-**	307,824
BBB	**1,544,151**	-	**21,367**	-
BB+	**153,445**		**-**	
BB	**-**	1,952,034	**-**	-
Below BB or not rated	**7,965,294**	6,926,970	**46**	-
	14,595,582	11,738,253	**29,362**	309,423

Impairment of financial assets

The Group has two types of financial assets that are subject to the expected credit loss model:

- trade receivables; and
- other financial assets carried at amortised cost

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

3. **Financial risk management** - continued

3.1 Financial risk factors - continued

(b) Credit risk - continued

Impairment of financial assets - continued

The expected loss rates are based on the payment profiles of sales over five months before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The Group carried out an assessment of the provision that would have been required based on the above methodology as at 1 January 2018 and 31 December 2018 and concluded that the required additional provision calculated using IFRS 9 principles was not materially different than what had been already accounted for under IAS 39. A similar assessment was carried out at the level of the Company and the impact was not considered to be material.

Receivables for which impairment provision was recognised are written off against the provision when there is no expectation of recovering additional cash. Impairment losses are recognised in profit or loss within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses.

Previous accounting policy for impairment of financial assets

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred, but not yet identified. For these receivables, the estimated impairment losses were recognised in a separate provision for impairment. The Group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor;
- probability that the debtor will enter bankruptcy or financial reorganisation; or
- default or late payments.

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

Other than trade receivables for which provisions for impairment of EUR112,149 have been recorded, the Group did not hold any material past due but not impaired financial assets as at 31 December 2017. The Group manages credit limits and exposures actively in a practicable manner such that past due amounts receivable from customers and partners are within controlled parameters. The Group’s receivables, which are not impaired financial assets, are principally debts in respect of transactions with partners for whom there is no recent history of default. Management does not expect any losses from non-performance by these partners.

3. Financial risk management - continued

3.1 Financial risk factors - continued

(c) Financial assets at fair value through P&L

The Group is also exposed to credit risk in relation to a loan due from D-Tech Limited which has been measured at fair value through P&L and the maximum exposure at the end of the reporting period is the carrying amount of EUR145,254.

(d) Liquidity risk

The Group and the Company are exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally trade and other payables and borrowings (refer to Notes 20 and 21). Prudent liquidity risk management includes maintaining sufficient cash to ensure the availability of an adequate amount of funding to meet the Group and Company's obligations.

Management monitors liquidity risk by reviewing expected cash flows and ensures that no additional financing facilities are expected to be required over the coming year. The Group's liquidity risk is actively managed taking cognisance of the matching of cash inflows and outflows arising from expected maturities of financial instruments, together with the Group's financing that it can access to meet liquidity needs. In this respect management does not consider liquidity risk to the Group as significant taking into account the liquidity management process referred to above.

The following tables analyse the Group's and the Company's other financial liabilities into relevant maturity groupings based on the remaining period at 31 December 2018 and 2017 to the contractual maturity date. The amounts disclosed in the tables below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

3. Financial risk management - continued

3.1 Financial risk factors - continued

(d) Liquidity risk - continued

31 December 2018	Less than 1 year €	Between 1 and 2 years €	Between 2 and 5 years €	Total €
Group				
Bond	4,436,947	65,597,347	-	70,034,294
Trade and other payables	33,307,775	-	-	33,307,775
Total	**37,744,722**	**65,597,347**	**-**	**103,342,069**
Company				
Bond	4,436,947	65,597,347	-	70,034,294
Trade and other payables	122,245	-	-	122,245
Total	**4,559,192**	**65,597,347**	**-**	**70,156,539**

31 December 2017	Less than 1 year €	Between 1 and 2 years €	Between 2 and 5 years €	Total €
Group				
Bond	4,476,081	4,622,199	68,336,178	77,434,458
Trade and other payables	27,213,250	-	-	27,213,250
Total	**31,689,331**	**4,622,199**	**68,336,178**	**104,647,708**
Company				
Bond	4,476,081	4,622,199	68,336,178	77,434,458
Trade and other payables	4,042,360	-	-	4,042,360
Total	**8,518,441**	**4,622,199**	**68,336,178**	**81,476,818**

3.2 Capital risk management

The Group’s capital comprises its equity as included in the statement of financial position. The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company’s capital structure (including the additional paid-in capital) is monitored at a Group level with appropriate reference to subsidiaries’ financial conditions and prospects.

3. **Financial risk management** - continued

3.2 Capital risk management - continued

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

3.3 Fair values of financial instruments

Financial instruments carried at fair value

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Group	**Level 3** **€**
At 31 December 2018	
Assets	
Financial assets at fair value through profit or loss:	
Derivative instruments	
- purchased call option (Note 11)	205,714
Financial assets at fair value through other comprehensive income:	
Equity securities	
- unlisted equities (Note 9)	1,851,516
Total financial assets	2,057,230
At 31 December 2017	
Assets	
Financial assets at fair value through profit or loss:	
Derivative instruments	
- purchased call option (Note 11)	205,714
Available-for-sale financial investment:	
Equity securities	
- unlisted equities (Note 10)	1,866,750
Total financial assets	2,072,464

3. Financial risk management - continued

3.3 Fair values of financial instruments - continued

Financial instruments carried at fair value - continued

Company	**Level 3**
	€
At 31 December 2018	
Assets	
Financial assets at fair value through other comprehensive income:	
Equity securities	
- unlisted equities (Note 9)	**1,851,516**
At 31 December 2017	
Assets	
Available-for-sale financial investment:	
Equity securities	
- unlisted equities (Note 10)	1,866,750

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. The Group's and Company's financial asset at fair value through other comprehensive income (2017: available-for-sale financial investment), included in level 3 comprises a private equity investment, disclosed in Notes 9 and 10 of these financial statements, which also includes a reconciliation from opening to closing value of the instrument.

Level 3 valuations are reviewed regularly by the directors. The Group's derivative financial instrument, comprising an option to purchase intangible assets, is also included in level 3, and is disclosed in Note 11. Further details on how the fair value of these instruments was calculated are disclosed in the respective notes to these financial statements.

There were no transfers between levels of the fair value hierarchy during 2018 and 2017.

Financial instruments not carried at fair value

At 31 December 2018 and 2017 the carrying amounts of cash at bank, receivables, payables, and borrowings from parent company reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation. The bond is held at amortised cost and the fair value is disclosed in Note 20.

4. Critical accounting estimates, judgements and errors

(a) Significant estimates and judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

The Group and the Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, other than the uncertainty associated with the legal environment that the Group operates in (disclosed in Note 35), was addressed below.

Group and Company

(i) Fair value of available-for-sale financial asset and related derivative instrument

During 2015, the Group, through the Company, acquired an available-for-sale financial asset for a consideration of EUR689,085. During 2017, the asset has been revalued based on a recent transaction which took place during the year between the company in which the Group holds its investment and third parties. Further information is included in Note 10 to the financial statements. As at 31 December 2018, the directors continue to believe that the fair value as at 31 December 2017 is indicative of the present value, other than the impact of the foreign currency exchange.

(ii) Impairment test of goodwill

The Group tests whether goodwill and other intangible assets with indefinite lives have suffered any impairment on an annual basis. The recoverable amount of a CGU is determined based on value-in-use calculations, which are based on management assumptions. As disclosed in Note 5, the calculations are based on cash flow projections reflecting the financial budget approved by the Group's Board for 2019, the projection of free cash flow to be generated in 2020, 2021 and 2022 as well as an estimate of the residual value. The residual value captures the perpetual cash flows to be generated after the explicit period, based on the projected free cash flows to be generated in 2022 capitalised using the post-tax discount rate of 15% applied in the value-in-use calculation, net of the assumed perpetual growth rate. The perpetual growth rate is assumed at 2% based on the estimated long-term inflation rate.

The assumptions used in the value-in-use calculations are inherently uncertain particularly for a fast growing group, which is still in development. A detailed analysis for each CGU disclosed below and in Note 5 to the financial statements.

Business-to-Customer CGU

This CGU reported an operating loss of EUR15,203,319 for the year ended 31 December 2018, after considering an impairment charge of EUREUR13,726,042. The Group's strategy after Q2 2018, was to streamline marketing focus on fewer brands in order to achieve a higher retention rate. As a result, the business-to-customer CGU generated a profit in the second half of the year. The Group is anticipating higher growth for brands such as Rizk, which continues to perform well. The Group has acquired a Schleswig Holstein license through the acquisition of Nordbet GMBH during the year whilst also securing Swedish gambling licenses following re-regulation of the Swedish market increasing the sustainability of its current revenues. Management also expects that the newly refurbished brand Thrills.com re-launched as a 'no account casino' will also contribute towards increasing profitability during 2019. On this basis, management considers that the goodwill of this CGU is not impaired. At the same time, management acknowledges that this judgement is inherently uncertain, and is dependent on future performance and market factors. The sensitivity of the underlying assumptions is disclosed in Note 5.

4. Critical accounting estimates, judgements and errors - continued

(a) Significant estimates and judgements - continued

(ii) Impairment test of goodwill - continued

Business-to-Customer CGU - continued

Included within the business-to-customer CGU are domains with a value of EUR10m. Due to the change in the Group's strategy to streamline marketing focus on fewer brands, the management has conducted a detailed impairment review of the projected free cash flows from the domains that were impacted by such change in strategy. Based on the outcome of this review, management has impaired these domains by EUR13.7m decreasing the value of such domains from EUR23.7m to EUR10.0m. The remaining domain value is dependant on the success of the revised strategy, including the newly launched 'no account casino'. The impact of variation in future cash flows on domain value is disclosed in Note 5 to the financial statements.

Business-to-Business CGU

The business-to-business CGUs are composed of two main business activities, which are performance marketing and technology services.

With regards to performance marketing, the directors consider that the impairment assessment on this activity is less sensitive due to the level of headroom between the reported intangible assets and the respective value-in-use.

With regards to technology services, during 2018, the Group has decided to invest into two main projects i.e. building a new sportsbook together with a games studio. The revenues generated from this activity in the short term are impacted by the termination of a significant business-to-business contract, as disclosed in Note 35 to the financial statements. Due to the start-up nature of such activities, the value-in-use of technology services are supported by the residual value, and the achievement of targets will influence the impairment assessment for this CGU. Further information is also disclosed in Note 5 to the financial statements.

(iii) Valuation of share options

As explained in Note 15, the Company's parent operates equity-settled and cash-settled share-based compensation plans under which the Group receives services from employees as consideration for equity instruments of GIG Inc. In order to determine the fair value of services provided, the Group estimates the fair value of the ordinary shares as of each grant date using the Black-Scholes valuation model. Refer to Note 15 for a summary of the inputs used and other assumptions made on calculating the fair value of share options granted as part of the share-based payment scheme.

(iv) Accrual for potential regulatory sanctions

As discussed in Note 35, the Group has provided for EUR2.6 million in connection with a licence review and the potential regulatory settlement. The directors consider the estimate of the amount that may be payable to be reasonable, after considering developments subsequent to the year end.

5. Intangible assets

Group	Note	Goodwill	Trademarks	Domains	Affiliate contracts	Technology platform	Computer software	Non-compete agreement	Other	Total
		€	€	€	€	€	€	€	€	€
Cost or valuation										
As at 1 January 2017		48,266,813	-	29,044,206	4,374,580	3,599,921	759,732	258,500	213,703	86,517,455
Acquisition of subsidiaries		5,581,434	-	899,175	267,736	5,665,352	-	-	192,056	12,605,753
Additions		-	850,288	36,410,341	10,370,365	5,107,677	832,696	200,000	-	53,771,367
Other		423,456	-	-	-	-	-	-	-	423,456
Currency translation differences		(515,925)	-	189,046	68,537	(148,610)	-	-	-	(406,952)
As at 31 December 2017		53,755,778	850,288	66,542,768	15,081,218	14,224,340	1,592,428	458,500	405,759	152,911,079
As at 1 January 2018		53,755,778	850,288	66,542,768	15,081,218	14,224,340	1,592,428	458,500	405,759	152,911,079
Additions		-	5,550	-	-	6,758,797	2,194,010	-	500,000	9,458,357
Acquisitions upon merger (Note 32)		-	-	6,406,042	-	-	19,850	-	-	6,425,892
Impairment losses		-	-	(13,726,042)	-	-	-	-	-	(13,726,042)
Currency translation differences		126,313	-	8,472	-	27,242	-	-	-	162,027
As at 31 December 2018		**53,882,091**	**855,838**	**59,231,240**	**15,081,218**	**21,010,379**	**3,806,288**	**458,500**	**905,759**	**155,231,313**
Accumulated depreciation										
As at 1 January 2017		-	-	1,400,171	1,229,737	511,824	287,518	47,000	71,429	3,547,679
Amortisation charge		-	-	3,915,317	3,195,259	2,426,411	290,070	141,000	106,657	10,074,714
As at 31 December 2017		-	-	5,315,488	4,424,996	2,938,235	577,588	188,000	178,086	13,622,393
As at 1 January 2018		-	-	5,315,488	4,424,996	2,938,235	577,588	188,000	178,086	13,622,393
Reclassification		-	-	(58,333)	-	-	-	58,333	-	-
Amortisation charge		-	1,431	6,066,425	4,441,015	6,602,128	1,157,121	170,500	35,617	18,474,237
As at 31 December 2018		**-**	**1,431**	**11,323,580**	**8,866,011**	**9,540,363**	**1,734,709**	**416,833**	**213,703**	**32,096,630**
Carrying amount										
As at 1 January 2017		48,266,813	-	27,644,035	3,144,843	3,088,097	472,214	211,500	142,274	82,969,776
As at 31 December 2017		53,755,778	850,288	61,227,280	10,656,222	11,286,105	1,014,840	270,500	227,673	139,288,686
As at 31 December 2018		**53,882,091**	**854,407**	**47,907,660**	**6,215,207**	**11,470,016**	**2,071,579**	**41,667**	**692,056**	**123,134,683**

During 2017, goodwill increased by EUR423,658 to reflect pre-acquisition gaming taxes due in relation to Pronzo Entertainment B.V.

5. Intangible assets - continued

Company	Technology platform €	Computer software €	Total €
Cost			
As at 1 January 2017	-	-	-
Additions	74,982	8,520	83,502
As at 31 December 2017 and 2018	74,982	8,520	83,502
Accumulated depreciation			
As at 1 January 2017	-	-	-
Amortisation charge	4,166	237	4,403
As at 31 December 2017	4,166	237	4,403
As at 1 January 2018	4,166	237	4,403
Amortisation charge	41,637	4,733	46,370
As at 31 December 2018	**45,803**	**4,970**	**50,773**
Net book value			
As at 31 December 2017	**70,816**	**8,283**	**79,099**
As at 31 December 2018	**29,179**	**3,550**	**32,729**

On 26 March 2018, the completion date, the Company acquired 100% of Nordbet GmbH's share capital, a company incorporated in Germany. Nordbet Gmbh holds a sports betting licence in the German state of Schleswig-Holstein which will allow the Group to offer sports betting in Germany. In addition, it is expected that the licence will allow the Group to integrate with the larger payment providers, making the Group's offerings more available to German end-users. The purchase consideration comprised a cash consideration of EUR500,000 and this was used to acquire an intangible asset comprising of the sports betting licence.

During 2017, the Company affected a sequence of asset acquisitions and one business combination, which is aligned to the Group Board's intended strategy of gaining a stronger foothold in regulated and soon to be regulated markets alongside the attainment of optimal growth rate trajectories and the enhancement of shareholder wealth. Assets acquired are allocated between domains and affiliate contracts. The value of affiliate contracts is determined with reference to traffic generated by players existing at the point of acquisition, and the value attributed to the domains is the residual.

On 14 February 2017, affiliate assets amounting to US$3.7 million in cash were purchased from an international affiliate network company, with revenue recognition commencing at transaction completion in April.

Affiliate network assets amounting to EUR11.5 million in cash were purchased from Progrand Media Limited on 9 March 2017, with revenue streams crystallising in April upon completion of the due diligence exercise.

On 21 April 2017, sportsbook assets amounting to EUR5.7 million in cash were purchased. This acquisition targeted the DACH region (Germany, Austria and Switzerland), strengthening the Company's geographical footprint further. Recognition of revenue stream commenced in June.

On 17 July 2017, affiliate assets pertaining to the largest affiliate network in Norway, which is STK Marketing Limited, was acquired for NOK 240 million in cash. The revenue rights, risks and rewards were assigned from June 2017.

5. Intangible assets – continued

Rebel Penguin ApS, a company incorporated in Denmark was fully acquired and is considered to be a fully-owned subsidiary from 26 September 2017, which is the completion date. The acquisition comprised both a cash consideration and the issue of GIG Inc shares.

As at end of 2017, the Group had assets not yet in use comprising of EUR755,000 relating to source code purchased to be used in the development of games as well as capitalised expenses amounting to EUR842,978 in relation to the sports product line. Both assets relate to products which have been launched during 2018. The Group had no assets not yet in use at the end of 2018.

Impairment test for goodwill and intangible assets with indefinite useful lives

The Group's reported goodwill primarily arises as a result of the acquisition of Betit Holding Limited, Rebel Penguin ApS, and OddsModel AS. Additionally, the Group has trademarks with indefinite lives which were acquired during 2017.

For the purposes of the impairment testing of goodwill and intangibles with an indefinite useful life the following CGUs were identified: business-to-customer ("B2C"), and business-to-business and marketing/affiliates ("B2B"). These reflect how the Group manages the day-to-day operations of the business and how decisions about the Group's assets and operations are made.

For each of the CGUs with significant amount of goodwill and indefinite-lived intangible assets, the carrying amounts, key assumptions and discount rate used in the value-in-use calculations are as follows:

	Cash-generating unit			
	Business-to-customer		**Business-to-business**	
	2018	2017	**2018**	2017
Carrying amounts				
Goodwill (€'000)	**41,989**	41,989	**11,893**	11,893
Intangible assets with indefinite lives (€'000)	**10,544**	17,864	**309**	309
	52,533	59,853	**12,202**	12,202

The key assumptions on which management has based its impairment test are based on the cash flow projections reflecting actual income from operations in the current year, the budget for the following year as confirmed by the entity's Board and an estimate for years 2020 - 2022 include (2017: 2019 – 2021):

- Revenue percentage annual growth rate;
- Gross margin;
- Total operating expenses percentage annual growth rate; and
- EBITDA margin.

The post-tax discount rate applied to the cash flow projections was 15% (2017: 15%) for each CGU. The perpetual growth rate, as assumed in the CGUs' residual value, is assumed at 2% (2017: 2%) based on the estimated long term inflation.

5. Intangible assets – continued

Impairment test for goodwill and intangible assets with indefinite useful lives - continued

Business-to-Customer CGU

The Group tests whether goodwill and other intangible assets with indefinite lives have suffered any impairment on an annual basis. The recoverable amount of a CGU is determined based on value-in-use calculations which are based on management assumptions.

The assumptions used in the value-in-use calculations may vary and are inherently uncertain particularly for a fast growing group which is in its early years of development. Sensitivity for each CGU is disclosed below.

As disclosed in notes 2 and 3, this segment reported losses in 2018, and certain domains were impaired following re-focus of the Group's strategy. Management considers that the goodwill of this CGU is not impaired on the basis of various actions that have been taken, and an assessment of future cash flows. Such cash flows are inherently uncertain, including the underlying assumptions. Sensitivity of the impairment assessment to future variations in cash flows and assumptions is outlined below.

Based on the Group's revised strategy for the CGU including planned improvements in 2019, and various initiatives in cost savings, management's projections assume a c. 45% compounded annual growth rate in annual EBITDA over the explicit period (2019-2022). In order to sustain the current level of goodwill and intangible assets with indefinite useful lives attributed to this CGU, the minimum compounded annual growth rate required in annual EBITDA over the explicit (2019-2022) period, is c. 14%.

Furthermore, the management's projections for the "no-account" casino project revenues generated by this domain at a compounded annual growth rate of c. 12%. Failure to achieve the projected growth rates, will result in further impairment of this domain, which is currently carried at a value of EUR9,829,267.

Business-to-Business CGU

The business-to-business CGU is composed of two main business activities which is performance marketing and technology services.

With regards to performance marketing, the directors consider that the impairment assessment on this activity is less sensitive due to the level of headroom between the reported intangible assets and the respective value-in-use.

With regards to technology services, during 2018, the Group has decided to invest into two main projects i.e. building a new sportsbook together with a games studio. Due to the projected investment in this segment, and the start-up nature of such activities, management considers this impairment assessment to be more uncertain. Goodwill attributed to this CGU was EUR11.9 million as at 31 December 2018.

6. Property, plant and equipment

Group	Installations and improvements to leasehold premises €	Furniture & fittings €	Computer and office equipment €	Total €
Cost				
As at 1 January 2017	299,209	418,071	683,232	1,400,512
Acquisition of subsidiaries	95,827	-	24,824	120,651
Additions	982,563	524,645	1,597,459	3,104,667
As at 31 December 2017	1,377,599	942,716	2,305,515	4,625,830
As at 1 January 2018	1,377,599	942,716	2,305,515	4,625,830
Acquisitions upon merger (Note 32)	926	12,201	5,176	18,303
Additions	1,039,087	405,470	1,066,878	2,511,435
As at 31 December 2018	**2,417,612**	**1,360,387**	**3,377,569**	**7,155,568**
Accumulated depreciation				
As at 1 January 2017	75,391	104,659	291,229	471,279
Depreciation charge	197,998	162,274	426,356	786,628
As at 31 December 2017	273,389	266,933	717,585	1,257,907
As at 1 January 2018	273,389	266,933	717,585	1,257,907
Depreciation charge	453,325	251,570	794,191	1,499,086
As at 31 December 2018	**726,714**	**518,503**	**1,511,776**	**2,756,993**
Net book value				
As at 1 January 2017	223,818	313,412	392,003	929,233
As at 31 December 2017	1,104,210	675,783	1,587,930	3,367,923
As at 31 December 2018	**1,690,898**	**841,884**	**1,865,793**	**4,398,575**

6. Property, plant and equipment - continued

Company	**Computer and office equipment €**
Cost	
As at 1 January 2018	-
Acquisitions upon merger (Note 32)	402
Disposals	(402)
As at 31 December 2018	**-**
Accumulated depreciation	
As at 1 January 2018	-
Depreciation charge	101
Accumulated depreciation released on disposal	(101)
As at 31 December 2018	**-**
Net book value	
As at 31 December 2017	-
As at 31 December 2018	**-**

7. Investments in subsidiaries

	2018 €	2017 €
At 1 January	**92,556,250**	88,976,592
Additions	**603,599**	3,579,658
Capital contributions	**50,305,607**	-
Impairment of investment	**(7,320,000)**	-
Other movements	**(42,135)**	-
At 31 December	**136,103,321**	92,556,250

	2018 €	2017 €
At 31 December		
Cost and carrying amount	**136,103,321**	92,556,250

7. Investments in subsidiaries – continued

During 2018 the Company increased its investment in iGamingCloud Limited by EUR38,800.

On 26 March 2018, the Company has acquired the German sports betting company Nordbet for EUR500,000, which holds a sports betting licence in the German state, Schleswig-Holstein. Furthermore other entities were incorporated during the year for the purpose of operating in the Swedish and Spanish markets.

During the year, the Company has incorporated a number of entities and invested the corresponding share capital amount.

Moreover, during the same year, various entities within the Group have been merged as follows:

- Betit Holdings Limited and Haus of Lenny Limited have been merged into the Company
- Candid Gaming Limited, a subsidiary of the ultimate parent entity has been merged into MT Securetrade Limited
- Gridmanager Limited, a subsidiary of the ultimate parent entity as well as Bettingcloud Limited, a subsidiary, have been merged into iGamingCloud Limited.

Additional information about the business combinations for the year is provided in note 32 (Business combinations).

The Company has capitalised amounts due from its subsidiaries for an amount of EUR50,305,607 (Note 13) and as a result increased its investment in subsidiaries by the same amount.

The Group has impaired brands during the year amounting to EUR13,726,042 (Note 5), out of which EUR7,320,000 were in relation to the brands acquired upon the Betit Group business combination. Accordingly the Company is impairing this same amount from the respective investment in subsidiaries.

During 2017, Innovation Labs Limited, one of the subsidiaries of the Company, acquired 100% of the share capital of Rebel Penguin ApS, a company incorporated in Denmark. As part of the consideration paid, 7,165,000 treasury shares in GIG Inc were transferred at completion date and carried at fair value of EUR3,578,526. No payment was made by the subsidiary and as a result the investment value in the Company's books was increased by such a value.

Furthermore, during 2017 Spaseeba AS merged into Oddsmodel AS. This transaction did not have any impact on the Group.

7. Investments in subsidiaries - continued

The principal subsidiaries at 31 December 2018 and 2017, whose results and financial position affected the figures of the Group, are shown below:

Subsidiaries	Country of incorporation	Class of shares held	Percentage of ownership and voting rights held directly by the Company % 2018	% 2017	Percentage of ownership and voting rights held directly by the Group % 2018	% 2017
NV Securetrade	Curacao	Ordinary shares	**-**	-	**100**	100
iGamingCloud NV	Curacao	Ordinary shares	**-**	-	**100**	100
Innovation Labs Limited	Malta	Ordinary shares	**100**	100	**100**	100
MT Securetrade Limited	Malta	Ordinary shares	**100**	100	**100**	100
iGamingCloud Limited	Malta	Ordinary shares	**100**	100	**100**	100
Bettingcloud Limited*	Malta	Ordinary shares	**-**	100	**-**	100
Zecure Gaming Limited	Malta	Ordinary shares	**100**	100	**100**	100
Online Performance Marketing Limited	British Virgin Islands	Ordinary shares	**100**	100	**100**	100
iGamingCloud SLU	Spain	Ordinary shares	**-**	-	**100**	100
iGamingCloud (Gibraltar) Limited	Gibraltar	Ordinary shares	**-**	-	**100**	100
OddsModel AS	Norway	Ordinary shares	**100**	100	**100**	100
Betit Holdings Limited*	Malta	Ordinary shares	**-**	100	**-**	100
Betit Operations Limited	Malta	Ordinary shares	**-**	-	**100**	100
Pronzo Entertainment B.V.	Curacao	Ordinary shares	**-**	-	**100**	100
Mavrix Tecnologies SL	Spain	Ordinary shares	**-**	-	**100**	100
Haus of Lenny Limited*	Malta	Ordinary shares	**-**	-	**-**	100
Mavrix Activities Limited	Gibraltar	Ordinary shares	**-**	-	**100**	100
Mavrix 5 X 5 Limited	Gibraltar	Ordinary shares	**-**	-	**100**	100
Mavrix Services Limited	Gibraltar	Ordinary shares	**-**	-	**100**	100
Mavrix Promotions Limited	Gibraltar	Ordinary shares	**-**	-	**100**	100
Mavrix Holding Limited	Gibraltar	Ordinary shares	**-**	-	**100**	100
GIG Central Services Limited	Malta	Ordinary shares	**100**	100	**100**	100
Rebel Penguin ApS	Denmark	Ordinary shares	**-**	-	**100**	100
iGamingCloud Inc	United States	Ordinary shares	**-**	-	**100**	100
Nordbet GmbH	Germany	Ordinary shares	**100**	-	**100**	-
Kaboo Services Limited	Malta	Ordinary shares	**100**	-	**100**	-
Thrills Services Limited	Malta	Ordinary shares	**100**	-	**100**	-
Guts Services Limited	Malta	Ordinary shares	**100**	-	**100**	-
Highroller Services Limited	Malta	Ordinary shares	**100**	-	**100**	-
GiG Operations p.l.c.	Malta	Ordinary shares	**100**	-	**100**	-

*The subsidiaries have been merged into other entities within the Group. Refer to note 32 for additional information.

8. Investments accounted for using the equity method

	Group and Company	
	2018	2017
	€	€
At 1 January	**204,282**	-
Acquisitions	**460,300**	200,000
Share of net (loss) profit of associates accounted for using the equity method	**(90,008)**	4,282
At 31 December	**574,574**	204,282

On 22 September 2017, the Group, through the Company acquired 20% of the issued share capital of D-Tech International Limited, a Hong Kong based games studio for EUR200,000.

Using proven math models with an original approach, D-Tech builds games for third party clients in both online and land-based verticals in addition to its own games for distribution to its core player demographic. Combining its international experience with local knowledge, D-Tech provides a cost-effective turnkey front-end game development service, delivering innovative concepts, original math, enriching sound and cutting edge mobile interface.

On 2 January 2018, the Company has acquired an additional 16% in D-Tech International Limited for EUR160,000 thus raising its total shareholding to 36%.

Furthermore on 10 August 2018, the Company has acquired 25% in Infobot Limited for EUR300,300. Infobot Limited develops, sets up and maintains algorithms, computer programs and other forms of technology.

9. Financial assets at fair value through other comprehensive income

	Group and Company	
	2018	2017
	€	€
At 1 January	**-**	-
Reclassified from from available for sale financial assets (note 10)	**1,866,750**	-
Exchange differences	**(15,234)**	
At 31 December	**1,851,516**	-

During 2015, the Company purchased shares in Easy Payment Gateway Limited. These shares, which represent an ownership interest of 10%. As mentioned in note 3.1, during the current year, the Group has elected to present in OCI changes in the fair value of all its equity investments previously classified as available for sale (Note 10).

9. Financial assets at fair value through other comprehensive income - continued

Valuation of the available-for-sale financial investment

During 2017, the asset has been revalued to EUR1,866,750 based on a recent transaction which took place during the year between the above mentioned company and third parties. The fair value movements amounting to EUR1,280,583 were recognised in other comprehensive income.

During 2018, the asset has been revalued to EUR1,851,516 to reflect exchange rate movements. The fair value movement amounting to EUR15,234 was recognised in other comprehensive income.

As at 31 December 2018, the directors believe that the fair value as at 31 December 2017 is still indicative of the present fair value other than the impact of the foreign currency exchange.

10. Available for sale financial assets

	Group and Company	
	2018	2017
	€	€
At 1 January	**1,866,750**	586,167
Reclassified to financial assets at fair value through other comprehensive income (note 9)	**(1,866,750)**	1,280,583
At 31 December	**-**	1,866,750

11. Derivative financial assets

	Group	
	2018	2017
	€	€
Call option to acquire intangible assets		
Non-current		
At 31 December	**205,714**	205,714

Valuation of call option to acquire intangible assets

During 2016, the Group acquired the right to buy the remaining 50% of the risks and rewards of ‘development domains’ at any time during March 2017 and March 2018. The purchase price payable by the Group if the option is exercised will be calculated using a specified price mechanism, equating to the annualised revenue generated by the development domains during a period of six months prior to the exercise date, on which a 2.5x multiple will be applied.

11. Derivative financial assets - continued

At initial recognition, the fair value of the acquired option was estimated to amount to EUR205,714. The fair value of the option represents the difference between the consideration payable as determined by the above-mentioned price mechanism (established in the purchase contact), compared with the price payable if an industry multiple would have been applied to the mechanism determining the consideration payable by the Group. Based on past acquisitions of similar domains, the directors believes that a multiple of 4x revenue generated by domains is a fair representation of an industry multiple. A discount rate of 15% was used to calculate present value of the derivative, both at initial recognition, and at year end.

The directors estimates that as at 31 December 2017 and 31 December 2018, using the same inputs above, the fair value of the derivative remains substantially unchanged and accordingly no fair value movements were recognised in profit and loss for the year.

Adjusting the valuation by increasing/decreasing the industry multiple would result in the fair value of the option increasing/decreasing respectively. The directors envisages that a reasonable shift in the unobservable inputs used in the valuation would not have a significant impact on the amounts on consolidated profit or loss and total assets.

The Group has not exercised its option to acquire the remaining 50% of the risks and rewards of 'development domains' in March 2018. Both parties agree to extend the exercise period by a further twelve months. The option will now expire in 2019.

12. Financial assets at fair value through profit or loss

	Group and Company	
	2018	2017
	€	€
Financial assets at fair value	**145,254**	-

During the year, the company has issued a loan of EUR145,254 to D-Tech. The loan is subject to fixed interest at the rate of 8.00% and is repayable in June 2020 and carries the option to be converted into ordinary shares. As a result, this investment was classified at fair value through profit or loss. Any fair value changes are immaterial in the current year. The directors will re-assess the option at each reporting period end.

13. Trade and other receivables

	Group 2018 €	Group 2017 €	Company 2018 €	Company 2017 €
Trade receivables - gross	**6,484,624**	8,040,228	**1,350**	-
Less: provision for impairment of trade receivables	**(267,459)**	(112,149)	**-**	-
Trade receivables	**6,217,165**	7,928,079	**1,350**	-
Amounts due from payment providers	**12,359,104**	11,221,057	**-**	-
Amounts due from subsidiaries	**-**	-	**14,475,057**	62,822,642
Amounts due from group undertakings	**792,393**	-	**-**	-
Amounts due from related parties	**500,000**	3,649,316	**-**	-
Indirect taxation	**3,437,891**	-	**-**	-
Other receivables	**3,920,697**	1,762,751	**42,901**	19,645
Accrued income	**34,984**	76,135	**-**	-
Prepayments	**1,927,394**	2,852,221	**4,199**	3,169
	29,189,628	27,489,559	**14,523,507**	62,845,456

In the Group, amounts due from group undertakings and related parties are unsecured, interest free and repayable on demand.

During the current financial year, amounts due from subsidiaries of EUR55,956,971 (2017: EUR55,956,971) were subject to fixed interest at the rate of 7.29% (2017: 7.29%). On 31 December 2018, following an offsetting exercise of intercompany balances across the Group, the Company capitalised an amount of EUR50,305,607 due from subsidiaries as investments in subsidiaries (refer to Note 7).

Amounts due from subsidiaries in the Company are unsecured, interest free and repayable on demand. All other amounts are interest free.

14. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	Group 2018 €	Group 2017 €	Company 2018 €	Company 2017 €
Cash at bank and other intermediaries	**14,595,582**	11,738,253	**29,362**	309,423
Less: restricted cash	**(8,522,974)**	(6,233,277)	**-**	-
Cash and cash equivalents	**6,072,608**	5,504,976	**29,362**	309,423

Included in the Group's cash at bank are amounts of EUR8,522,974 (2017: EUR6,233,277) that are held in a fiduciary capacity and represent customer monies, whose use is restricted in terms of the Malta Remote Gaming Regulations, 2004 and UK Gambling Act, 2005.

15. Share capital and premium

Group and Company	Number of ordinary shares	Ordinary share capital €	Share premium €	Total €
Authorised share capital				
At 1 January 2017	262,776	2,628	-	2,628
Change in nominal value of shares	(260,148)	-	-	-
Increase in authorised share capital	47,372	47,372	-	47,372
At 31 December 2017	**50,000**	**50,000**	**-**	**50,000**
At 31 December 2018	**50,000**	**50,000**	**-**	**50,000**
Issued and fully paid				
At 1 January 2017	262,776	2,628	2,304,345	2,306,973
Change in nominal value of shares	(260,148)	-	-	-
Increase in issued share capital	47,372	47,372	-	47,372
At 31 December 2017	**50,000**	**50,000**	**2,304,345**	**2,354,345**
At 31 December 2018	**50,000**	**50,000**	**2,304,345**	**2,354,345**

On 27 April 2017, the Company's authorised and issued share capital increased from EUR2,628 to EUR50,000. The nominal value of the shares has also increased from EUR0.01 per share to EUR1.00 per share on the same date.

16. Share-based payments

(a) Employee share option plan

Share options are granted to selected employees as well as to consultants. All options are conditional on the employees and the consultants completing a specified number of years' service (the vesting period); certain options are also conditional on the Group achieving certain earnings targets. The options are exercisable starting between 1 and 6 years from the grant date. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Pursuant to the acquisition of the Betit Group during 2017, GIG Inc. replaced vested share options held by key employees in Betit Holdings Limited, with shares in GIG Inc. The replacement into GIG Inc. shares was treated as part of the consideration paid to acquire Betit given that these were entirely attributable to pre-combination services. The fair value of the replacement shares, amounting to EUR3,294,130 was substantially equivalent to the fair value of the Betit share options at acquisition date. Accordingly, the Group did not recognise any incremental fair value as a result of the modification.

(b) Reverse split

On 17 December 2018, the Group has completed a 10-for-1 reverse share split ("reverse-split"). The comparative figures within this note, are updated to reflect the reverse-split.

(c) Share options granted as consideration for the acquisition of intangibles

During the year ended 31 December 2018, there were no modifications to share option agreements. During the year ended 31 December 2017, the exercise dates for some of the share options were modified resulting with an extra cost of EUR168,000.

16. Share-based payments - continued

(c) Share options granted as consideration for the acquisition of intangibles - continued

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2018		2017	
	Average exercise price in € per option	Options	Average Exercise price in € per option	Options
Share options which were granted or converted into options of GIG Inc.				
At 1 January	**2.50**	**2,721,732**	0.90	2,709,246
At 31 December	**3.74**	**1,530,168**	2.50	2,721,732
Share options which were granted or converted into options of GIG Inc.				
Granted	**7.13**	**300,000**	4.50	985,000
Exercised	**0.84**	**1,070,665**	0.25	756,041
Forfeited during the year	**5.50**	**420,898**	0.70	216,474

Out of the 1,530,168 (2017: 2,721,732) outstanding options in GIG Inc, as at 31 December 2018, 266,000 (2017: 95,000) were vested but not yet exercised.

Options which were exercised and converted into GIG Inc. shares during 2018 resulted in 1,070,665 shares (2017: 756,041) being issued at a weighted average price of EUR0.84 (2017: EUR0.25). The related weighted average share price at the time of exercise was EUR5.04 (2017: EUR4.30) per share.

Share options of GIG Inc., outstanding at the end of the year, have the following expiry dates and exercise prices:

Grant dates (range)	Vest dates (range)	Expiry dates (range)	Exercise prices in option (range) €	Share options 2018	2017
2014-2015	2016-2019	1 January 2018 - 1 January 2019	Nil	399,168	1,020,732
2015	2016-2020	May - August 2021	1.20-1.70	-	350,000
2016	2016-2020	January 2023	1.50	20,000	30,000
2016	2016-2020	February 2023	2.40	100,000	150,000
2016	2015-2017	May to September 2023	4.00-4.30	186,000	186,000
2017	2018-2020	December 2022	4.50-4.80	380,000	750,000
2017	2018-2020	June 2023	6.40-6.60	220,000	235,000
2018	2019-2021	January 2024	6.00-6.50	180,000	-
2018	2019-2021	March 2024	7.50	45,000	-
				1,530,168	2,721,732

16. Share-based payments - continued

(d) Valuation of share options for the year ended 31 December 2018 and 2017

The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was EUR1.98 (2017: EUR1.70) per option. The significant inputs into the model were weighted average share price of EUR6.02 (2017: EUR4.50) at the grant date, exercise price shown above, volatility of 40% (2016: 75%), dividend yield of 0% (2017: 0%), an expected option life of 6 (2017: 2.7) years and an annual risk-free interest rate of 1.40% (2017: 0.55%). The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last 3 years.

(e) Cash-settled options

As part of the acquisition of Betit, in 2016, the Company's parent awarded an incentive scheme to key employees of the Betit Group, which remunerates key employees of this group via a cash payment linked to the value of GIG Inc. shares. This incentive scheme was granted in replacement of a number of non-vested share options which key employees held in Betit at the date of acquisition. The incentive scheme is similar to share appreciation rights, entitling the employees to a cash payment after a pre-defined period (the vesting period), ranging between 0-1 years of service, but requires the employees to pay a pre-determined price (a strike price) upon exercise. The amount payable by GIG Inc. is based on the difference between the strike price (separately defined for each employee), and GIG Inc.'s share price upon vesting.

On the date of acquisition, the value of the vested portion of each cash-settled option represented pre-combination services and was therefore treated as part of the business combination liabilities assumed. The liability arising from the cash-settled schemes as at the date of acquisition was deemed to have a fair value of EUR145,019 at the date of acquisition.

The fair value of the cash-settled option at reporting date was determined using the Black-Scholes model using the following inputs as at 31 December:

	31 December 2018	31 December 2017
Share price at measurement date (€)	**-**	5.00
Expected volatility (%)	**-**	60.90
Dividend yield (%)	**-**	-
Risk-free interest rate (%)	**-**	0.83
Carrying amount of liability (€)	**-**	146,451

In 2018, EUR69,543 (2017: EUR280,437) cash-settled options vested. All cash-settled options have been exercised during the year.

17. Capital reserves

Group	Notes	Capital contribution reserve €	Advances for shares to be issued €	Total €
At 1 January 2017		4,073,914	510,545	4,584,459
Capital contribution arising on share options granted by the Group's parent entity:				
Fair value of employee services	25	1,666,560	-	1,666,560
Value of shares granted for the acquisition of intangible assets		3,578,526	-	3,578,526
At 31 December 2017		**9,319,000**	**510,545**	**9,829,545**
At 1 January 2018		9,319,000	510,545	9,829,545
Capital contribution arising on share options granted by the Group's parent entity:				
Fair value of employee services	25	1,077,782	-	1,077,782
Waiver of loans payable	21	89,765,004	-	89,765,004
At 31 December 2018		**100,161,786**	**510,545**	**100,672,331**

Company	Note	Capital contribution reserve €	Advances for shares to be issued €	Total €
At 1 January 2017		2,925,096	510,545	3,435,641
Value of shares granted for the acquisition of intangible assets		3,578,526	-	3,578,526
At 31 December 2017		**6,503,622**	**510,545**	**7,014,167**
At 1 January 2018		**6,503,622**	**510,545**	**7,014,167**
Waiver of loan payable	21	**73,531,014**	**-**	**73,531,014**
At 31 December 2018		**80,034,636**	**510,545**	**80,545,181**

Advances for shares to be issued

This represents proceeds received by the Company from its shareholders in anticipation of issuance of ordinary shares, and exercised share options, the share capital and premium of which had not yet been issued. The amount of EUR510,545 as at 31 December 2018 and 2017 represents advances in respect of share premium, for which the formal documentation has not been filed with the Registrar of Companies by the end of the respective financial reporting periods. Once the said filing is formalised, the reserve will be capitalised as share premium.

17. **Capital reserves** - continued

Capital contribution reserve

The amount of` EUR1,077,782 (2017: EUR1,666,560), included in the Group's capital contribution reserve comprises the fair value of share options granted by GIG Inc. as consideration to employees of the various Group undertakings. Note 15 includes details on the Group's share-based payment arrangements.

The amount of EUR3,578,526 in the previous year, included in the Group and Company's contribution reserve is arising as a result of acquisition of Rebel Penguin ApS.

Furthermore, during the year the parent company has waived amounts due to it by the Group and the Company amounting to EUR89,765,004 and EUR73,531,014 and converted to a capital contribution reserve.

18. Merger reserve

	Group		**Company**	
	2018	2017	**2018**	2017
	€	€	**€**	€
At 1 January	**-**	-	**-**	-
Reserve created upon business combination	**3,533,484**	-	**5,886,789**	-
At 31 December	**3,533,484**	-	**5,886,789**	-

During the year, various mergers have been carried out as disclosed in Note 32. The merger reserve recognised in the Company relates to the mergers of Betit Holdings Limited and Haus of Lenny Limited into the Company whilst the merger reserve recognised by the Group relates to the mergers of Candid Gaming Limited and Gridmanager Limited (previously both sisters companies to the Company) into the Group.

19. Other reserves

Group	Financial assets at fair value through other comprehensive income €	Available-for-sale investments €	Currency translation reserve €	Transactions with non-controlling interests €	Total €
At 1 January 2017	-	(102,918)	187,202	(13,389,177)	(13,304,893)
Changes in value of available-for-sale financial assets (Note 10)	-	1,280,583	-	-	1,280,583
Currency translation differences	-	-	(550,462)	-	(550,462)
Other	-	-	23,907	-	23,907
At 31 December 2017	-	1,177,665	(339,353)	(13,389,177)	(12,550,865)
At 1 January 2018	-	1,177,665	(339,353)	(13,389,177)	(12,550,865)
Reclassification (Note 3.1)	1,177,665	(1,177,665)	-	-	-
Changes in value of financial assets at fair value through other comprehensive income (Note 9)	(15,234)	-	-	-	(15,234)
Currency translation differences	-	-	133,469	-	133,469
At 31 December 2018	**1,162,431**	**-**	**(205,884)**	**(13,389,177)**	**(12,432,630)**

19. Other reserves - continued

Company	Financial assets at fair value through other comprehensive income	Available-for-sale investments €	Total €
At 1 January 2017	-	(102,918)	(102,918)
Changes in value of available-for-sale financial assets, net of deferred tax (Note 10)	-	832,379	832,379
At 31 December 2017	-	729,461	729,461
At 1 January 2018	-	729,461	729,461
Reclassification (Note 3.1)	729,461	(729,461)	-
Changes in value of financial assets at fair value through other comprehensive income (Note 9)	(15,234)	-	(15,234)
At 31 December 2018	**714,227**	**-**	**714,227**

Available-for-sale investments
Changes in fair value and exchange differences arising on translation of investments that are classified as available-for-sale financial assets are recognised in other comprehensive income and accumulated in a separate reserve within equity. Amounts are reclassified to profit or loss when the associated assets are sold or impaired.

Currency translation reserve
Translation differences arising on translation of foreign operations are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

Transactions with non-controlling interests
The reserve is used to record transactions where the Group acquires a further interest in a subsidiary, or disposes of a stake in a subsidiary without losing control.

The above reserves are non-distributable reserves.

20. Trade and other payables

	Group 2018 €	Group 2017 €	Company 2018 €	Company 2017 €
Trade payables	**7,093,648**	8,458,808	**5,952**	132,642
Players' accounts	**6,371,817**	3,912,730	**-**	-
Jackpot balances	**2,151,157**	2,582,739	**-**	-
Amounts due to subsidiaries	**-**	-	**-**	3,847,034
Amounts due to related parties	**6,541**	-	**-**	-
Other payables	**6,459,539**	3,925,960	**74,772**	25,237
Indirect taxation and social security	**3,230,754**	1,780,499	**-**	-
Accruals and deferred income	**7,994,319**	6,552,514	**41,521**	37,447
	33,307,775	27,213,250	**122,245**	4,042,360

The amounts due to related parties and in the preceding year subsidiaries are unsecured, interest-free and repayable on demand.

21. Borrowings

Current	Group 2018 €	Group 2017 €	Company 2018 €	Company 2017 €
Loans from group parent	**-**	87,322,935	**-**	73,892,709

During the year the Group parent entity has waived any balances due within the Group and converted to a capital contribution.

In the previous year, the carrying amounts of borrowings approximate their fair value.

Non-Current	Group 2018 €	Group 2017 €	Company 2018 €	Company 2017 €
Bonds	**64,229,542**	66,465,902	**64,229,542**	66,465,902

On 6 March 2017, the Group has issued SEK 400 million senior secured bonds in the Nordic bond market, with a SEK 1,250 million borrowing limit and a final maturity of 6 March 2020. The bond issue was significantly oversubscribed and received strong demand from across the Nordic region. The bond issue has a fixed coupon of 7% p.a. payable six months in arrears on 6 March and 6 September in each year. The bonds are listed on the Oslo Stock Exchange.

Moreover, on 14 September 2017, the Group has completed a tap issue of SEK 250 million of the senior secured bonds. These bonds have a final maturity of 6 March 2020 and a fixed coupon of 7%.

The guarantors to the bond, Gaming Innovation Group Inc. (the issuer's parent), Innovation Labs Limited, MT Securetrade Limited, NV Securetrade and Zecure Gaming Limited (the issuer's subsidiaries), are jointly and severally with the issuer and between themselves, guaranteeing the repayment of the nominal value of the bonds on the redemption date and of the interest amounts of the bonds on each interest payment date. The guarantors irrevocably and unconditionally guarantee the due and punctual performance of all the obligations undertaken by the issuer under the bonds.

21. **Borrowings** - continued

The quoted market price of the bonds at 31 December 2018 was SEK646,750,000 (EUR63,068,027) (2017: SEK661,115,000 (EUR67,160,548)), which in the opinion of the directors fairly represents the fair value of these liabilities. The fair value estimate in this respect is deemed to fall under level 1 of the fair value measurement hierarchy as it constitutes a quoted price in an active market.

The bonds are redeemable at par (SEK 1,000,000 per bond) and at the latest are due for redemption on 6 March 2020. The bonds are redeemable in whole or in part at a premium at the issuer's sole discretion on any date falling between 6 March 2017 and 6 March 2020. In the opinion of the directors, the Group will not avail of such option and will redeem at final maturity date.

The amount of transaction costs which are being capitalised as part of borrowings is EUR1,750,454.

Net proceeds from the bond issue will primarily be used for acquisitions, mainly within affiliate marketing. Proceeds were also used to refinance existing debt in full as well as towards general corporate purposes.

22. Deferred taxation

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The following amounts determined after appropriate offsetting are shown in the statement of financial position:

	Group		Company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Deferred tax asset to be recovered after more than 12 months	**60,393**	615,600	**-**	-
Deferred tax liability to be settled after more than 12 months	**(954,830)**	(828,612)	**(448,204)**	(448,204)
	(894,437)	(213,012)	**(448,204)**	(448,204)

22. Deferred taxation - continued

The movement on the deferred income tax account is as follows:

	Group		Company	
	2018	2017	**2018**	2017
	€	€	**€**	€
As at 1 January	**(213,012)**	355,820	**(448,204)**	-
Deferred tax asset acquired upon merger (Note 32)	**183,196**	-	**-**	-
Deferred tax liability on termporary differences - recognised in profit or loss	**(864,621)**	(480,428)	**-**	-
Deferred tax liability on revaluation of available for sale investments - recognised in other comprehensive income	**-**	-	**-**	(448,204)
Deferred tax liability arising from acquisition of subsidiary	**-**	(88,404)	**-**	-
As at 31 December	**(894,437)**	(213,012)	**(448,204)**	(448,204)

Deferred taxation is calculated on temporary differences under the liability method using the principal tax rate within the relevant jurisdiction. The year-end balance comprises temporary differences arising on:

	Group		Company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Future tax credits on subsidiaries' undistributed profits	**60,393**	615,600	**-**	-
Differences between the tax base and carrying amounts of tangible assets	**1,382**	1,282	**-**	-
Differences between the tax base and carrying amounts of financial instruments at fair value through OCI (2017: available for sale investments)	**-**	-	**(448,204)**	(448,204)
Differences between the tax base and carrying amounts of intangible assets	**(1,315,029)**	(867,125)	**-**	-
Capital allowances and tax losses	**347,761**	31,624	**-**	-
Provision for impairment of receivables	**11,056**	5,607	**-**	-
	(894,437)	(213,012)	**(448,204)**	(448,204)

As at 31 December 2018, the Group also had unrecognised unutilised tax credits amounting to EUR21,184,592 (2017: EUR9,380,914) arising from unabsorbed tax losses and capital allowances, and net taxable temporary differences arising from intangible assets and property, plant and equipment amounting to EUR999,053 (2017: EUR904,966). These give rise to a net deferred tax asset for the Group amounting to EUR1,009,277 (2017: EUR423,797), which is not recognised in these financial statements.

23. Revenue and other operating expenses

(a) Revenue

The Group's revenue by product line is disclosed in note 2.

23. Revenue and other operating expenses - continued

(b) Other operating expenses

Other operating expenses include:

	Group		Company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Platform and service provider fees	**23,221,396**	16,542,210	**-**	-
Gaming taxes	**5,123,884**	3,324,528	**-**	-
Consultancy fees	**7,092,418**	4,868,852	**123,665**	151,375
Operating leases	**2,643,820**	1,632,671	**-**	-
Other operating expenses	**15,913,939**	9,258,388	**12,640**	123,511
	53,995,457	35,626,649	**136,305**	274,886

The Group is undergoing a licence review from the UK Gambling Commission and the Group has accrued for EUR2.6 million relating to a potential regulatory settlement as a result of weaknesses in responsible gaming, anti-money laundering and related controls.

Fees charged by the auditor for services rendered are shown in the table below.

	Group		Company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Annual statutory audit	**211,000**	224,750	**20,000**	20,000
Tax advisory and compliance services	**58,673**	38,341	**1,530**	1,975
Other non-audit services	**17,465**	19,770	**10,890**	14,480
	287,138	282,861	**32,420**	36,455

24. Investment and other related income

	Group		Company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Dividend income	**-**	-	**1,850,691**	-
Tax refund of dividend income	**-**	-	**555,507**	-
	-	-	**2,406,198**	-

During the year, one of the Company's subsidiaries has distributed gross dividends amounting to EUR1,850,691. The related tax refund amounts to EUR555,507.

25. Employee benefit expense

	Group		Company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Gross wages and salaries	**34,492,985**	22,574,284	**-**	-
Less: employee costs capitalised as part of software development	**(6,105,113)**	(3,922,259)	**-**	-
Net wages and salaries, including other benefits	**28,387,872**	18,652,025	**-**	-
Recharge of salaries	**-**	-	**50,730**	-
Social security costs	**2,967,381**	2,216,313	**-**	-
Share options granted to employees (Note 16)	**1,077,782**	1,666,560	**-**	-
Cash-settled options vested during the year	**69,543**	280,437	**-**	-
	32,502,578	22,815,335	**50,730**	-

During the year, one of the subsidiaries of the Company has recharged wages and salaries amounting to EUR50,730 to the Company.

The Group employed, on average:

	Group	
	2018	2017
Managerial	**6**	7
Administrative	**697**	502
	703	509

26. Other losses

	Group		Company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Other losses	**24,000**	150,269	**-**	-

27. Finance income

	Group		Company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Interest income on bank deposits	**442**	6,247	**-**	-
Other interest income	**10,543**	-	**4,074,009**	2,040,519
Exchange differences	**753,293**	1,579,980	**2,712,551**	2,775,396
	764,278	1,586,227	**6,786,560**	4,815,915

Included within finance income, are exchange differences arising from transactions carried out in a foreign currency. As described in Note 1.5, it is the Group's and the Company's accounting policy to present all foreign exchange differences within finance income or finance costs.

28. Finance costs

	Group		Company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Bond interest expense	**4,855,424**	3,149,270	**4,855,424**	3,149,270
Other interest expense	**4,890**	3,991	**-**	-
	4,860,314	3,153,261	**4,855,424**	3,149,270

29. Tax expense

	Group		Company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Current tax (income)/expense				
current year	**(49,941)**	492,075	**647,742**	-
Deferred tax expense (Note 22)				
current year	**864,621**	480,428	**-**	-
	814,680	972,503	647,742	-

Current tax expense for 2018 includes a tax refund of EUR555,507 on dividends distributed by one of the subsidiaries of the Company.

The tax on the profit/(loss) before tax differs from the theoretical amount that would arise using the basic tax rate applicable as follows:

29. Tax expense - continued

	Group 2018 €	Group 2017 €	Company 2018 €	Company 2017 €
(Loss)/profit before tax	**(20,270,890)**	2,998,137	**(3,306,334)**	1,391,634
Tax calculated at domestic tax rates applicable to profits in the respective countries	**(1,745,398)**	420,627	**(1,157,217)**	487,072
Tax effect of:				
Income not subject to tax	**(939,872)**	(955,054)	**(1,134,194)**	(955,054)
Disallowed expenses	**2,877,863**	1,489,318	**2,940,999**	469,481
Movements in unrecognised deferred tax assets	**585,510**	18,817	**-**	-
Other differences	**36,577**	(1,205)	**(1,846)**	(1,499)
Tax expense	**814,680**	972,503	**647,742**	-

30. Operating lease commitments

	Group 2018 €	Group 2017 €
Minimum lease payments under operating leases recognised as an expense	**2,643,820**	1,632,671

At the end of the reporting period, the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Group 2018 €	Group 2017 €
Less than one year	**3,708,702**	2,252,573
Between one and five years	**9,404,969**	8,620,969
	13,113,671	10,873,542

Operating lease payments represent rentals by the Group for office premises.

31. Cash generated from operations

(a) Reconciliation of operating (loss)/profit to cash generated from operations:

	Group		Company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Operating (loss)/profit	**(16,174,854)**	4,565,171	**(5,237,470)**	(275,011)
Adjustments for:				
Amortisation of intangible assets (Note 5)	**18,474,237**	10,074,714	**46,370**	-
Share of net profit of associate accounted for using the equity method (Note 8)	**90,008**	(4,282)	**90,008**	(4,282)
Depreciation of property, plant and equipment (Note 6)	**1,499,086**	786,628	**101**	-
Provision for impairment of intangible assets (Note 5)	**13,726,042**	-	**-**	-
Provision for impairment of investments in subsidairies (Note 7)	**-**	-	**7,320,000**	-
Provision for impairment of trade receivables (Note 13)	**(155,310)**	52,918	**-**	-
Share-based payment	**1,077,782**	1,946,997	**-**	-
Changes in working capital:				
Trade and other receivables	**600,705**	(13,418,119)	**10,239,299**	(1,625,404)
Trade and other payables	**1,889,085**	11,362,233	**(6,694,347)**	3,985,415
Restricted cash	**(2,289,697)**	(1,617,864)	**-**	-
Cash generated from operations	**18,737,084**	13,748,396	**5,763,961**	2,080,718

31. Cash generated from/(used in) operations - continued

(b) Reconciliation of financial liabilities

Group	Bond €	Loan from group parent €	Total €
Balance as at 1 January 2017	-	95,189,440	95,189,440
Cash flows	66,955,073	(7,866,505)	59,088,568
Foreign exchange adjustments	(2,161,282)	-	(2,161,282)
Other non-cash movements	1,672,111	-	1,672,111
Balance as at 31 December 2017	**66,465,902**	**87,322,935**	**153,788,837**
Balance as at 1 January 2018	66,465,902	87,322,935	153,788,837
Cash flows	(4,483,328)	(537,018)	(5,020,346)
Foreign exchange adjustments	(2,608,455)	-	(2,608,455)
Balances transferred as part of business combination	-	1,145,187	1,145,187
Waiver of amounts due to group parent	-	(89,765,004)	(89,765,004)
Other non-cash movements, including interest accrued	4,855,423	1,833,900	6,689,323
Balance as at 31 December 2018	**64,229,542**	**-**	**64,229,542**

Company	Bond €	Loan from group parent €	Total €
Balance as at 1 January 2017	-	84,997,775	84,997,775
Cash flows	66,955,073	(11,105,066)	55,850,007
Foreign exchange adjustments	(2,161,282)	-	(2,161,282)
Other non-cash movements	1,672,111	-	1,672,111
Balance as at 31 December 2017	**66,465,902**	**73,892,709**	**140,358,611**
Balance as at 1 January 2018	66,465,902	73,892,709	140,358,611
Cash flows	(4,483,328)	(361,695)	(4,845,023)
Foreign exchange adjustments	(2,608,455)	-	(2,608,455)
Waiver of amounts due to ultimate parent entity	-	(73,531,014)	(73,531,014)
Other non-cash movements	4,855,423	-	4,855,423
Balance as at 31 December 2018	**64,229,542**	**-**	**64,229,542**

(c) Significant non-cash transactions

Group and Company

During 2017, the Group, through the Company, acquired Rebel Penguin ApS. The purchase consideration comprised a cash consideration of EUR9,119,996 and 7,165,000 treasury shares in Gaming Innovation Group Inc., with a fair value at completion date of EUR3,578,526, yielding a total fair value consideration of EUR12,698,522.

32. Business combinations and other changes to the Group

32.1 Business combinations and other changes to the Group

Group and Company

Merger of legal entities

The mergers referred to in note 1 'Basis of preparation' that impacted the results and balance sheet of the group and the company were as follows:

- Betit Holdings Limited and Haus of Lenny Limited, were acquired by the company (Gaming Innovations Group p.l.c.);
- Candid Gaming Limited, a subsidiary of the group's ultimate parent (GIG Inc.) has been acquired by the group through MT Securetrade Limited;
- Gridmanager Limited, another subsidiary of the group's ultimate parent has been acquired by the group through iGamingCloud Limited.

The other merger that occurred during 2018 that did not have any impact on either the group or the company was the acquisition of Bettingcloud Limited by iGamingCloud Limited.

The net assets acquired by the group upon the mergers noted above are reflected below:

Group

Company being merged	**Candid Gaming Limited**	**Gridmanager Limited**	
Merged into	**MT Securetrade Limited**	**iGamingcloud Limited**	**Total**
Intangible assets	6,425,892	-	6,425,892
Property, plant and equipment	15,751	2,552	18,303
Deferred income tax assets	183,196	-	183,196
Trade and other receivables	65,062	80,248	145,310
Cash at bank and other intermediaries	18,398	25,943	44,341
Borrowings	(944,487)	(200,700)	(1,145,187)
Trade and other payables	(65,326)	-	(65,326)
Net assets/(liabilities) acquired	**5,698,486**	**(91,957)**	**5,606,529**
Consideration	(1,403,691)	(669,454)	(2,073,145)
Adjustment to equity	**4,294,795**	**(761,411)**	**3,533,384**

Company

Company being merged	**Betit Holdings Limited**	**Haus of Lenny Limited**	**Total**
Property, plant and equipment	-	402	402
Trade and other receivables	6,044,457	586	6,045,043
Cash at bank and other intermediaries	1,764	8,697	10,461
Trade and other payables	(91,109)	(74,668)	(165,777)
Net assets/(liabilities) acquired	**5,955,112**	**(64,983)**	**5,890,129**
Consideration	(2,140)	(1,200)	(3,340)
Adjustment to equity	**5,952,972**	**(66,183)**	**5,886,789**

Any amounts between the acquired companies and the Group or Company have been eliminated upon reflecting the accounting impact of the merger.

33. Related party transactions

GIG Inc. is the Company's immediate and ultimate parent entity. GIG Inc. is a company incorporated in the state of Delaware, having its registered office in Bokeelia, Florida, USA. Its shares are traded on the Oslo Børs. In view of its shareholding structure, the Group does not have an ultimate controlling party.

All companies forming part of the GIG Inc. Group, comprising the Company and its subsidiaries (as disclosed in Note 7), the shareholders, and other companies controlled or significantly influenced by the shareholders are considered to be related parties.

The following transactions were carried out with related parties.

(a) Sales of services

	Group	
	2018	2017
	€	€
- fellow subsidiaries of GIG Inc. Group	**-**	2,063,803

In the current year, the fellow subsidiaries mentioned above have been merged into the GiG plc Group, and as a result there were no related party transactions in the current year.

(b) Key management personnel

	Group	
	2018	2017
	€	€
Directors' emoluments	**467,692**	332,541
Share-based payments	**-**	387,996
	467,692	720,537

Key management personnel comprise the directors of the Company and the director of the other group undertakings.

	Company	
	2018	2017
	€	€
Directors' emoluments	**388,096**	223,847
Share-based payments	**-**	387,996
	388,096	611,843

Key management personnel comprise the directors of the Company.

33. Related party transactions - continued

(c) Year-end balances arising from amounts due and loans from related parties, and other transactions

	Group 2018 €	Group 2017 €	Company 2018 €	Company 2017 €
Financial assets at fair value through profit or loss (Note 12)				
related parties	**-**	-	**145,254**	-
Other receivables from related parties (Note 13)				
subsidiaries	**-**	-	**14,475,057**	62,822,642
group undertakings	**792,393**	-	**-**	-
related parties	**500,000**	3,649,316	**-**	-
Other payables to related parties (Note 20)				
subsidiaries	**-**	-	**-**	3,847,034
other related parties	**6,541**	-	**-**	-
Loans from parent entity (Note 21)	**-**	87,322,935	**-**	73,892,709
Other transactions				
Capital contributions: parent entity (Note 17)	**89,765,004**	3,578,526	**73,531,014**	3,578,526
Fair value of employee services (Note 25)	**1,077,782**	1,666,560	**-**	-

34. Events after the reporting period

On 26 March 2019, the shares of the Group's parent company have commenced trading on Nasdaq Stockholm. As a result, such shares are dual-listed on Nasdaq Stockholm and Oslo Børs.

The directors are currently reviewing potential options of refinancing the bond when it becomes due in March 2020.

35. Significant risks and uncertainties

GIG operates on the basis of its international licence in Malta, and other territory specific licences.

For internet-based betting operations, there is uncertainty as to which country's law ought to be applied, as the internet operations can be linked to several jurisdictions and there are legal doubts on whether the availability of a site within foreign markets constitutes a solicitation to persons residing within that market. Legislation concerning online gaming is under review in certain jurisdictions, and in some circumstances, previous opportunities to offer gaming products to certain customers based in some markets on principles of freedom to provide services, would be closed due to legal restrictions being imposed. In some other cases, previously unregulated jurisdictions pass legislation regulating the market creating new opportunities to offer products and services to those markets with legal certainty.

35. Significant risks and uncertainties - continued

The majority of the Group's revenue is derived from markets within the European Union, meaning that their domestic regulations are subject to EU law principles, such as free movement of services. Member States are permitted to impose local license requirements as a condition for companies offering online gaming services to consumers residing in respective states only insofar as the licenses are granted based on objective, transparent, non-discriminatory and proportionate criteria. Whereas national regulation liberalising the gaming market is generally compliant with EU law, the imposition of restrictions, especially protectionist approaches, is often challenged in European courts causing doubt until a final decision is published.

Where such local licensing regime is in place, it is the Group's policy not to offer gaming services to consumers residing in such state, unless it is in possession of a valid license. Regulation of online gaming in European markets is generally a positive development, as it reduces uncertainty and enables long term business planning and usually also increases the marketing channels available for the Group in such countries.

The Group also provides B2B services, including platform services and performance marketing. It is the Group's view that the responsibility for compliance with laws and regulations rests with the customer. Although gaming laws and regulations of many jurisdictions do not specifically apply to the supply of B2B services, certain countries have sought to regulate or prohibit the supply of such services. The Group may therefore be subject to such laws, directly or indirectly. The Group mitigates this risk through monitoring of legal developments, contractual arrangements, and by seeking external advice to assist with the assessment of risk exposures as appropriate.

Outside the European Union the regulatory frameworks are more fragmented. Regulatory developments in the online gaming sector and their implications for the Group are uncertain and government authorities could make assessments and decisions that differ from the Group's understanding or interpretation.

The Group communicated during its Q3 report its priority to grow long term in regulated and soon-to-be regulated markets and hence decided to terminate one of its customer contracts which could potentially harm this development. This will have a short to medium term negative impact on revenue of around EUR2 million in Q1 2019 when compared to Q4 2018, but it is expected to be offset by revenue from existing and new customers on the platform as these expect to grow throughout 2019 and beyond.

This evolving environment makes compliance an increasingly complex area with the risk of non-compliance with territory specific regulations, including responsible gambling and anti-money laundering obligations. These uncertainties represent a risk for the Group's ability to develop and grow the business, as changes in legislation or enforcement practices could force the Group to exit markets, or even result in financial sanctions, litigation, license withdrawal or unexpected tax exposures, which have not duly been provided for in the financial statements. The Group is undergoing a licence review from the UK Gambling Commission and the Group has accrued for EUR2.6 million relating to a potential regulatory settlement as a result of weaknesses in responsible gaming, anti-money laundering and related controls.

During 2019, one of the Company's subsidiaries has entered into a regulatory settlement package with the UK Gambling Commission amounting to EUR1.4 million, which was accrued for as part of the EUR2.6 million.

36. Statutory information

Gaming Innovation Group p.l.c. is a limited liability company and is incorporated in Malta.

gig.com