

**IGAMINGCLOUD LIMITED**

**Annual Report and Financial Statements  
31 December 2018**

Company Registration Number: C48466

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## Directors' report

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

### Principal activities

The company's principal activity is to carry on the business of developing, setting up, maintaining, managing, supporting, running, hosting, licensing and otherwise exploiting gaming platforms for remote gaming, including software and hardware components of such platforms whether for casinos, sportsbook poker or other games, whether to be operated through internet, mobile or other interactive media, in accordance with such permits or licences as may be required by applicable law. The Company also provides B2B services, including platform services. During the current financial year, related group undertakings have been merged into the company (as further described in Note 22) to the financial statements. As a result, the Company operates an eco-system where multiple odds providers and services can be integrated and where operators can choose to use the full service or part of the offering to match their specific, customised needs. The Company has also obtained a B2B licence under the Malta Gaming Authority through one of the mergers.

Revenue is made up of white label recharges and revenue arising from the provision of software.

### Overall company's performance

The company's performance for 2018 was positive as it experienced growth in net revenues of 6.8% although operating expenses increased by 200.9%. EBITDA has decreased from EUR9.7 million in 2017 to an EBITDA loss of EUR 3.8 million in 2018, mainly as a result of an increase in operating expenses. EBITDA is equivalent to operating profit before depreciation and amortisation.

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 the company's revenue of around Eur 2 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 throughout 2019 and beyond.

### Net revenues

Net revenues in 2018 increased to EUR 17.8 million (2017: EUR 16.7 million) which is equivalent to an increase of 6.8%.

### Operating expenses

During 2018, total operating expenses increased when compared to the previous year with a total cost of EUR 26.0 million (2017: EUR 8.7 million). This includes depreciation and amortisation cost of EUR 4.5 million (2017: EUR 1.7 million) and EUR 5.7 million (2017: EUR 4.0 million) of personnel expenses. Operating expenses have increased from prior year mainly as a result of increased headcount, consultancy fees, amortisation as well as costs recharged by another group company.

### Loss from operations

Loss before tax for the year 2018 amounted to EUR 8.3 million (2017: profit of EUR 8.0 million).

### Statement of financial position

The company's net asset position has increased from EUR 8.2 million in 2017 to EUR 9.4 million in 2018. During the year, related group undertakings waived balances due by the Company amounting to EUR 11,317,587 and converted the amount to a capital contribution reserve. The waiver resulted in a corresponding improvement in the net asset position which was partly set off by the loss for the year and the net liability position of the related party which was merged into the company during the year.

## **Director's report - continued**

### **Significant risks and uncertainties**

It is the company'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 company may therefore be subject to such laws, directly or indirectly. The company 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.

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 company'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, licence withdrawal, or unexpected tax exposures, which have not duly been provided for in these financial statements.

### **Pledged securities**

The company has pledged its issued share capital with a nominal value of EUR0.01 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 9. The directors did not declare a dividend during the current and preceding financial years.

### **Financial risk management**

Information on the Company's financial risk management is disclosed in Note 2 of the financial statements.

### **Director**

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

- Mr Robin Eirik Reed
- Mr Jan Mikael Angman (appointed on 24 May 2018 and resigned on 8 May 2019)
- Mr Justin Psaila (appointed on 8 May 2019)

## Director's report - continued

### Statement of director's responsibilities for the financial statements - continued

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

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 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 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 Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The financial statements for IGamingCloud Limited for the year ended 31 December 2018 are included in the Annual Report 2018 which is published in hard-copy printed form and may be available on the Company's website. The directors are also responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over and security of the website. Access to the information published on the Company's website is available in other countries and jurisdictions where legislation governing the presentation and dissemination of financial statements may differ from requirements or practices in Malta.

### 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 Justin Psaila  
Director

**Registered office**  
@GiG Beach Office,  
Triq Id-Dragunara,  
St Julians, STJ 3148  
Malta

27 June 2019



## *Independent auditor's report*

To the Shareholders of iGamingCloud Limited

### *Report on the audit of the financial statements*

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#### *Our opinion*

In our opinion:

- IGaming Cloud Limited's financial statements give a true and fair view of the company's financial position as at 31 December 2018, and of the 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**

IGaming Cloud Limited's financial statements, set out on pages 8 to 39, comprise:

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

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#### *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 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.



## *Independent auditor's report - continued*

To the Shareholders of IGaming Cloud Limited

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### *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), which we obtained prior to the date of this auditor's report.

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.

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



## *Independent auditor's report - continued*

To the Shareholders of IGaming Cloud Limited

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### *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 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 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 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.

We communicate with those charged with governance 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 IGaming Cloud Limited

### *Report on other legal and regulatory requirements*

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#### *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

A handwritten signature in blue ink, appearing to be 'Romina Soler', written over the printed name and address.

Romina Soler  
Partner

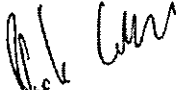
27 June 2019

## Statement of financial position

		<b>As at 31 December</b>	
	Notes	2018 €	2017 €
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	5	5,432,031	2,736,320
Property, plant and equipment	4	844,394	1,169,157
Investments in subsidiaries	6	1,459,000	9,000
Deferred income tax asset	12	427,564	427,564
Trade and other receivables	7	500,000	500,000
<b>Total non-current assets</b>		<b>8,662,989</b>	<b>4,842,041</b>
<b>Current assets</b>			
Trade and other receivables	7	2,632,251	21,966,290
Cash at bank and other intermediaries	8	129,892	92,133
<b>Total current assets</b>		<b>2,762,143</b>	<b>22,058,423</b>
<b>Total assets</b>		<b>11,425,132</b>	<b>26,900,464</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	9	40,000	1,200
Capital reserves	10	12,096,331	598,753
Merger reserve	11	(1,856,869)	-
(Accumulated losses)/retained earnings		(877,663)	7,588,963
<b>Total equity</b>		<b>9,401,799</b>	<b>8,188,916</b>
<b>Current liabilities</b>			
Trade and other payables	14	2,023,333	18,495,548
Borrowings	15	-	216,000
<b>Total current liabilities</b>		<b>2,023,333</b>	<b>18,711,548</b>
<b>Total equity and liabilities</b>		<b>11,425,132</b>	<b>26,900,464</b>

The notes on pages 12 to 39 are an integral part of these financial statements.

The financial statements on pages 8 to 39 were authorised for issue by the Board on 27 June 2019 and were signed on its behalf by:

  
Mr Robin Eirik Reed  
Director

  
Mr Justin Psaila  
Director

## Statement of comprehensive income

	Notes	Year ended 31 December	
		2018 €	2017 €
<b>Net revenue</b>		<b>17,791,892</b>	<b>16,665,753</b>
<b>Operating expenses</b>			
Personnel expenses	17	(5,699,776)	(3,996,812)
Depreciation and amortisation	4, 5	(4,475,248)	(1,704,560)
Other operating expenses	16	(15,880,395)	(2,949,849)
<b>Total operating expenses</b>		<b>(26,055,419)</b>	<b>(8,651,221)</b>
<b>Operating (loss)/profit</b>		<b>(8,263,527)</b>	<b>8,014,532</b>
Finance income	18	32	38
Finance costs	19	(40)	-
<b>(Loss)/profit before tax</b>		<b>(8,263,535)</b>	<b>8,014,570</b>
Tax (expense)/credit	20	(203,091)	427,555
<b>(Loss)/profit for the year</b>		<b>(8,466,626)</b>	<b>8,442,125</b>

The notes on pages 12 to 39 are an integral part of these financial statements.

## Statement of changes in equity

Attributable to owners of the company					
Note	Share capital €	Capital reserves €	Merger reserve €	Retained earnings €	Total €
<b>Balance at 1 January 2017</b>	1,200	388,452	-	(853,162)	(463,510)
<b>Comprehensive income</b>					
Profit for the year - total comprehensive income	-	-	-	8,442,125	8,442,125
<b>Transactions with owners</b>					
Value of employee services	10	210,301	-	-	210,301
<b>Balance as at 31 December 2017 and 1 January 2018</b>	1,200	598,753	-	7,588,963	8,188,916
<b>Comprehensive income</b>					
Loss for the year - total comprehensive income	-	-	-	(8,466,626)	(8,466,626)
<b>Transactions with owners</b>					
Increase in share capital	9	38,800	-	-	38,800
Merger reserve created upon business combinations	11	-	(1,856,869)	-	(1,856,869)
Waiver of amounts due	10	11,317,587	-	-	11,317,587
Value of employee services	10	179,991	-	-	179,991
		38,800	11,497,578	(1,856,869)	-
		38,800	11,497,578	(1,856,869)	9,679,509
<b>Balance at 31 December 2018</b>	40,000	12,096,331	(1,856,869)	(877,663)	9,401,799

The notes on pages 12 to 39 are an integral part of these financial statements.

## Statement of cash flows

	Notes	Year ended 31 December	
		2018 €	2017 €
<b>Cash flows from operating activities</b>			
Cash generated from operations	21	6,305,021	4,346,107
Interest received		32	38
Tax paid		(203,091)	-
<b>Cash generated from operations</b>		<b>6,101,962</b>	<b>4,346,145</b>
<b>Cash flows from investing activities</b>			
Purchase of intangible assets	5	(6,096,382)	(3,067,800)
Purchase of property, plant and equipment	4	(37,173)	(1,227,710)
<b>Net cash used in investing activities</b>		<b>(6,133,555)</b>	<b>(4,295,510)</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issuance of ordinary shares	9	38,800	-
<b>Net cash generated from financing activities</b>		<b>38,800</b>	<b>-</b>
Net movement in cash and cash equivalents		7,207	50,635
Cash and cash equivalents at beginning of year		92,133	41,498
Cash and cash equivalents received upon business combinations		30,552	-
<b>Cash and cash equivalents at end of year</b>	8	<b>129,892</b>	<b>92,133</b>

The notes on pages 12 to 39 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 the financial information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 1.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and with the requirements of the Maltese Companies Act (Cap. 386), and in accordance with the requirements of the said Act. A parent (Note 25) prepares consolidated financial statements in a manner equivalent to that required by the Maltese Companies Act (Cap. 386) and these are delivered to the Registrar of Companies in Malta. Accordingly, iGamingCloud Limited is exempt from the preparation of consolidated financial statements by virtue of Section 174 of the Maltese Companies Act (Cap. 386). These financial statements have been prepared under the historical cost convention.

The ultimate parent company has agreed to support the operations of the Company for the foreseeable future due to the significant losses which were incurred by the Company in the current year. Consequently, the directors deem that the Company is a going concern.

The preparation of financial statements in conformity with IFRS as adopted by the EU requires the use of certain accounting estimates. It also requires the directors to exercise their judgement in the process of applying the company's accounting policies (see Note 3 – Critical accounting estimates and judgements).

#### *Going concern*

The company's net equity position has increased from EUR 8.2 million in 2017 to EUR 9.4 million in 2018. The Company's net equity has strengthened following the capitalisation of intra group balances amounting to EUR 11,317,587 as disclosed in Note 10. The financial statements have been prepared on a going concern basis, which assumes the continued support of the ultimate parent to settle the Company's obligations as and when they fall due.

#### *Merger of legal entities*

During the current financial year, a related companies forming part of the GiG Inc. Group have been merged into the Company (as further described in Note 22 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 company have been treated for accounting purposes as being those of the acquiring Company with effect from 1 January 2018.

The 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, iGamingCloud Limited applied the predecessor method of accounting to reflect the transactions referred to above (refer to accounting policy 1.2 'Business combinations').

## 1. Summary of significant accounting policies - continued

### 1.1 Basis of preparation - continued

#### *Standards, interpretations and amendments to published standards effective in 2018*

In 2018, the company adopted new standards, amendments and interpretations to existing standards that are mandatory for the company'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 company's accounting policies.

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 2.1. 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 company's accounting periods beginning after 1 January 2018. The company 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 company'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 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 has not entered into any material lease arrangements and thus should not be impacted by IFRS 16.

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 company in the current or future reporting periods and on foreseeable future transactions.

**1. Summary of significant accounting policies - continued**

**1.2 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.

**1.3 Foreign currency translation**

*(a) Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements are presented in euro ("€") which is the company's functional and presentation currency.

*(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. 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.

**1.4 Intangible assets**

*(a) Licenses*

Separately acquired licenses are shown at historical cost. The majority of separately acquired licenses have an indefinite useful life. The useful life of licenses is determined in relation to the term of the license agreement, which is three years.

*(b) Gaming software*

Gaming software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised using the straight-line method over their estimated useful life of three years.

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



**1. Summary of significant accounting policies – continued**

**1.4 Intangible assets - continued**

*(b) Gaming software - continued*

Technology platform is capitalised on the basis of the costs incurred to acquire and bring to use these assets. These costs are amortised, using the straight-line method over their estimated useful lives of three years.

*(c) Trademarks*

Separately acquired trademarks are shown at historical cost. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses.

**1.5 Property, plant and equipment**

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company 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 using the straight line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

	Years
Furniture and fittings	6
Computer and office equipment	3
Installations and improvement to leasehold premises	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 are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

## 1. Summary of significant accounting policies - continued

### 1.6 Financial assets

#### 1.6.1 Classification

From 1 January 2018, the company 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.

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

#### 1.6.2 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 company has transferred substantially all the risks and rewards of ownership.

#### 1.6.3 Measurement

At initial recognition, the company 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 company'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.

**1. Summary of significant accounting policies - continued**

**1.6 Financial assets - continued**

**1.6.4 Impairment**

From 1 January 2018, the company 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 company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 2.1 for further details.

**1.6.5 Accounting policies applied until 31 December 2017**

The company 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 company classified its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables, and

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**

**1.6 Financial assets - continued**

**1.6.5 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 2.1.

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 company 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 2.1.

**1. Summary of significant accounting policies - continued**

**1.7 Investments in subsidiaries**

Investments in subsidiaries are accounted for by the cost method of accounting, i.e. at cost less impairment. 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 the subsidiaries are reflected in the 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.

**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 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 1.6.3). 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.

**1.10 Cash and cash equivalents**

Cash and cash equivalents are carried in the statement of financial position at face value. In the statement of cash flows, cash and cash equivalents includes cash in hand and deposits held at call with banks.

**1.11 Share capital**

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

**1. Summary of significant accounting policies - continued**

**1.12 Financial liabilities**

The company recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The company'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 company 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.

**1.13 Trade and other payables**

Trade payables comprise 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.

**1.14 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 company has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

**1.15 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. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

## 1. Summary of significant accounting policies - continued

### 1.15 Current and deferred taxation - continued

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 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 tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### 1.16 Share based payments

The company's ultimate parent operates a number of equity-settled, share-based compensation plans, under which the company receives services from employees and consultants as consideration for equity instruments (options) of the ultimate parent company. The fair value of the employee services received in exchange for the grant of the options is recognised by the company as an expense. 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 ultimate parent company 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 ultimate parent company, or another entity at the request of the ultimate parent company, transfers shares to the employees.

The grant by the company's ultimate parent of options over its equity instruments to the employees of the company is treated as a capital contribution. 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.

**1. Summary of significant accounting policies - continued**

**1.17 Revenue recognition**

In contracting with white label operators, the company 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 company 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 the company 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 company.

**1.18 Dividend distribution**

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

**2. Financial risk management**

**2.1 Financial risk factors**

The company's activities potentially expose it to a variety of financial risks: market risk (foreign exchange risk), credit risk and liquidity risk. The management of the company's financial risk is based on a financial policy approved by the ultimate parent's board of directors, and exposes the company to a low level of risk. Risk management is coordinated at a group level in respect of all companies of which Gaming Innovation Group Inc. is the ultimate parent. The company did not make use of derivative financial instruments to hedge risk exposures during the current and preceding period.



**2. Financial risk management - continued**

**2.1 Financial risk factors - continued**

(a) *Market risk*

(i) *Foreign exchange risk*

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 Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the GBP and the USD. 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 Company's exposure to foreign currencies, other than the functional currency, as at 31 December 2018 and 2017.

	Liabilities €
<b>As at 31 December 2018</b>	
GBP	23,549
USD	98,180
	121,729
	Liabilities €
<b>As at 31 December 2017</b>	
USD	14,380

Accordingly, based on the above, the company is not significantly exposed to foreign exchange risk and a sensitivity analysis for foreign exchange risk disclosing how profit or loss and equity would have been affected by changes in foreign exchange rates that were reasonably possible at the end of the reporting period is not deemed necessary.

(b) *Credit risk*

Credit risk mainly arises on cash and cash equivalents, amounts due from subsidiaries, amounts due from fellow subsidiaries and trade and other receivables as follows:

	2018 €	2017 €
Financial assets at amortised cost:		
Amounts due from subsidiaries (Note 7)	-	15,559,975
Amounts due from fellow subsidiaries (Note 7)	423	3,067,339
Cash at bank and other intermediaries (Note 8)	129,892	92,133
Trade and other receivables (Note 7)	1,176,587	2,932,469
Exposure	1,306,902	21,651,916

**2. Financial risk management - continued**

**2.1 Financial risk factors - continued**

*(b) Credit risk – continued*

The maximum exposure to credit risk at the end of the reporting period in respect of the financial assets mentioned above is equivalent to their carrying amount as disclosed in the respective notes to the financial statements. The company does not hold any collateral as security in this respect. The company deals only with financial institutions with quality standing and does not consider that there was any material credit risk concentration at the end of the reporting period.

The Company 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.

	2018	2017
	€	€
A+	<b>78,797</b>	-
BBB	<b>43,516</b>	92,133
Nor rated	<b>7,579</b>	-
	<b>129,892</b>	<b>92,133</b>

*(i) Impairment of financial assets*

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

Trade receivables were analysed to identify a history of default with its customers and expected payment trends, and settlement periods. Management estimates any risk of default to be minimal and the impact would thus be immaterial.

*(ii) Previous accounting policy for impairment of financial assets*

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is 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) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The Company first assesses whether objective evidence of impairment exists.

## 2. Financial risk management - continued

### 2.1 Financial risk factors - continued

(b) *Credit risk – continued*

(ii) *Previous accounting policy for impairment of financial assets - continued*

The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; and;
- observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset.

For financial assets carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

(c) *Liquidity risk*

The company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities which include trade payables of EUR 267,578 (2017: EUR 69,754), other payables of EUR 137,908 (2017: EUR 120,014), and indirect taxation and social security of EUR 467,975 (2017: EUR 296,829).

Liquidity risk is monitored at a group level by ensuring that sufficient funds are available to each subsidiary within the Gaming Innovation Group.

### 2.2 Capital risk management

The company's equity, as disclosed in the statement of financial position, constitutes its capital. The company's objectives when managing capital are to safeguard the company'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.

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

**2. Financial risk management - continued**

**2.3 Fair values of financial instruments**

At 31 December 2018 and 2017 the carrying amounts of cash at bank, receivables, payables and accrued expenses, 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.

**3. Critical accounting 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 company makes 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 company operates in (disclosed in Note 24) was addressed below.

*(i) Valuation of share options*

As explained in Note 13, the company's ultimate parent operates equity-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 13 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.

**4. Property, plant and equipment**

	Computer and office equipment €	Furniture and fittings €	Installations and improvements to leasehold premises €	Total €
<b>Cost</b>				
As at 1 January 2017	178,266	25,487	38,823	242,576
Additions	705,523	100,974	421,213	1,227,710
As at 31 December 2017	<u>883,789</u>	<u>126,461</u>	<u>460,036</u>	<u>1,470,286</u>
As at 1 January 2018	883,789	126,461	460,036	1,470,286
Acquisitions upon merger (Note 22)	1,190	-	1,365	2,555
Additions	37,173	-	-	37,173
As at 31 December 2018	<u>922,152</u>	<u>126,461</u>	<u>461,401</u>	<u>1,510,014</u>
<b>Accumulated depreciation</b>				
As at 1 January 2017	34,673	9,304	3,590	47,567
Depreciation charge	158,290	21,234	74,038	253,562
As at 31 December 2017	<u>192,963</u>	<u>30,538</u>	<u>77,628</u>	<u>301,129</u>
As at 1 January 2018	192,963	30,538	77,628	301,129
Depreciation charge	238,617	24,469	101,405	364,491
As at 31 December 2018	<u>431,580</u>	<u>55,007</u>	<u>179,033</u>	<u>665,620</u>
<b>Net book value</b>				
As at 1 January 2017	143,593	16,183	35,233	195,009
As at 31 December 2017	<u>690,826</u>	<u>95,923</u>	<u>382,408</u>	<u>1,169,157</u>
As at 31 December 2018	<u>490,572</u>	<u>71,454</u>	<u>282,368</u>	<u>844,394</u>

5. Intangible assets

	Licences €	Gaming software €	Trademarks €	Total €
<b>Cost</b>				
As at 1 January 2017	110,526	1,535,815	-	1,646,341
Additions	387,125	2,671,075	9,600	3,067,800
As at 31 December 2017	497,651	4,206,890	9,600	4,714,141
As at 1 January 2018	497,651	4,206,890	9,600	4,714,141
Acquisitions upon merger (Note 22)	-	710,086	-	710,086
Additions	256,528	5,834,304	5,550	6,096,382
<b>As at 31 December 2018</b>	<b>754,179</b>	<b>10,751,280</b>	<b>15,150</b>	<b>11,520,609</b>
<b>Accumulated depreciation</b>				
As at 1 January 2017	33,218	493,605	-	526,823
Amortisation charge	194,893	1,256,105	-	1,450,998
As at 31 December 2017	228,111	1,749,710	-	1,977,821
As at 1 January 2018	228,111	1,749,710	-	1,977,821
Amortisation charge	349,040	3,760,286	1,431	4,110,757
<b>As at 31 December 2018</b>	<b>577,151</b>	<b>5,509,996</b>	<b>1,431</b>	<b>6,088,578</b>
<b>Carrying amount</b>				
As at 1 January 2017	77,308	1,042,210	-	1,119,518
As at 31 December 2017	269,540	2,457,180	9,600	2,736,320
<b>As at 31 December 2018</b>	<b>177,028</b>	<b>5,241,284</b>	<b>13,719</b>	<b>5,432,031</b>

**6. Investment in subsidiary**

	2018	2017
	€	€
As at 1 January	9,000	9,000
Capital contributions	<u>1,450,000</u>	-
As at 31 December	<u>1,459,000</u>	<u>9,000</u>

On 31 December 2018, following an offsetting exercise of intercompany balances across the group, the Company capitalised an amount of EUR 1,450,000 due from subsidiaries as investments in subsidiaries. The subsidiaries had a positive net asset position which was higher than the respective investments and so an impairment was not deemed necessary.

	2018	2017
	€	€
As at 31 December	<u>1,459,000</u>	<u>9,000</u>

The principal subsidiaries are the following:

Subsidiary	Registered office	Class of shares held	Percentage of voting rights held directly by parent	
			2018	2017
			%	%
IGamingCloud NV	Dr. M. J. Hugenholtzweg, Z/N UTS, Gebouw Curacao	Ordinary shares	100	100
IGamingCloud SLU	UBB.Cortijo Blanco (c/Picasso) 14 Grupo Golondrinas, Casa 10, San Pedro De Alcantara, 29670, Marbella, Malaga	Ordinary shares	100	100
IGamingCloud Inc	99 Wood Avenue South 4 <sup>th</sup> Floor, Iselin, New Jersey 08830, UAS	Ordinary shares	100	100

The company has capitalised amounts due from its subsidiaries for an amount of EUR 1,450,000 (Note 7) and as a result increased its investment in subsidiaries by the same amount.

During 2017, the company acquired 10,000 ordinary shares in IGamingCloud Inc, which is equivalent to 100% of the share capital. The shares have no par value.

**7. Trade and other receivables**

	2018	2017
	€	€
<b>Non-current</b>		
Amounts due from related parties	<u>500,000</u>	<u>500,000</u>
<b>Current</b>		
Trade receivables	1,140,338	2,130,472
Amounts due from subsidiaries	-	15,559,975
Amounts due from fellow subsidiaries	423	3,067,339
Other receivables	36,249	801,997
Indirect taxation	1,265,109	291,950
Prepayments	190,132	114,557
	<u>2,632,251</u>	<u>21,966,290</u>

On 31 December 2018, following an offsetting exercise of intercompany balances across the group, the company capitalised an amount of EUR 1,450,000 due from subsidiaries as investments in subsidiaries (refer to Note 10).

The amounts due from fellow subsidiaries and in the preceding year amounts due from fellow subsidiaries are unsecured, interest free and repayable on demand.

**8. Cash and cash equivalents**

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

	2018	2017
	€	€
Cash at bank and other intermediaries	<u>129,892</u>	<u>92,133</u>

**9. Share capital**

	2018	2017
	€	€
<b>Authorised, issued and fully paid</b>		
3,999,900 (2017: 119,900) ordinary 'A' shares of EUR0.01 each	39,999	1,199
100 ordinary 'B' shares of EUR0.01 each	1	1
	<u>40,000</u>	<u>1,200</u>

On 23 May 2018, the company's authorised and issued ordinary 'A' share capital has increased by 3,880,000.

The ordinary 'B' shares shall not carry a right to receive dividends but in all other matters shall rank pari passu with the ordinary 'A' shares.



**10. Capital contribution reserve**

	2018	2017
	€	€
At 1 January	598,753	388,452
Waiver of amounts payable	11,317,587	-
Capital contribution arising on granting of share options by the ultimate parent company	179,991	210,301
At 31 December	<b>12,096,331</b>	<b>598,753</b>

During the year, the ultimate and immediate parent companies have waived amounts due to them by the company amounting to EUR 474,404 and EUR 10,843,183 respectively and converted to a capital contribution reserve.

The capital contribution reserve is a non-distributable reserve.

**11. Merger reserve**

	2018	2017
	€	€
At 1 January	-	-
Reserve created upon business combination	(1,856,869)	-
At 31 December	<b>(1,856,869)</b>	<b>-</b>

During the year two mergers have been carried out as disclosed in Note 22. The merger reserve recognised in the company relates to the mergers of Gridmanager Limited and BettingCloud Limited into the Company.

**12. Deferred tax**

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 movement on the deferred income tax account is as follows:

	2018	2017
	€	€
As at 1 January	427,564	-
Deferred tax asset to be recovered after more than 12 months (note 18)	-	427,564
As at 31 December	<b>427,564</b>	<b>427,564</b>

**12. Deferred tax - continued**

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

	2018	2017
	€	€
Difference between the tax base and carrying amounts of intangible assets	(99,888)	(131,612)
Trading losses	527,452	559,176
	427,564	427,564

As at 31 December 2018, the Company also had unutilised tax credits amounting to EUR 4,139,434 (2017: EUR 971,077) arising from unabsorbed tax losses and capital allowances and deductible temporary differences property, plant and equipment amounting to EUR 346,640 (2017: nil). As at 31 December 2017, the Company further had taxable temporary differences arising from intangible assets and property, plant and equipment amounting to EUR 99,536. The related net deferred tax asset amounting to EUR 1,570,126 (2017: EUR 305,039) has not been recognised in these financial statements.

**13. 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.

*(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.

**13. Share based payments - continued**

(c) *Share options granted*

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

	2018		2017	
	Average exercise price in EUR per option	Options	Average exercise price in EUR per option	Options
<b>Share options which were granted or converted into options of GIG Inc</b>				
- At 1 January	0.80	578,787	0.80	845,410
- At 31 December	3.25	582,681	0.80	578,787
<b>Share options which were granted or converted into options of GIG Inc</b>				
- Granted	7.27	60,000	4.50	90,000
- Transferred from/(to) another subsidiary company within the group.	3.25	366,079	-	(150,000)
- Forfeited	3.13	(77,690)	-	-
- Exercised	0.25	(374,495)	0.20	(206,620)
- Options from merger with another subsidiary company within the group	1.55	30,000	-	-

Out of the 532,681 outstanding options which were granted or converted into option of GIG Inc. (2017: 578,787) 83,000 (2017: nil) were exercisable.

Options which were converted into GIG Inc shares and exercised in 2018 resulted in 374,495 shares (2017: 206,620) being issued at a weighted average price of EUR 0.25 (2017: EUR 0.20). The related weighted average share price at the time of exercise was EUR 53.64 (2016: nil) per share.

During the year ended 31 December 2018, 366,079 (2017: 150,000) share options were transferred (to)/from related group companies due to a change in the company which contracts the employee for services rendered.

Share options which were granted or converted into options of GIG Inc., outstanding at the end of the year, have the following expiry date and exercise prices:

Grant dates (range)	Vest dates (range)	Expiry date (range)	Exercise price in EUR per option (range)	Share Options 2018	2017
2014-2015	2017-2019	31 January 2017 - 31 January 2019	Nil	222,681	458,787
2016	2020	January 2023	1.50	20,000	30,000
2016	2018-2020	May to Sept 2023	4.00 – 4.30	250,000	-
2017	2018-2020	December 2022	4.50 – 4.80	30,000	90,000
2018	2019-2021	January 2024	6.00 – 6.50	30,000	-

	2018	2019-2021	March 2024	7.50	<b>30,000</b>	-
					<b>582,681</b>	578,787

**13. Share based payments – continued**

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

The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was €1.98 (2017: €1.70) per option. The significant inputs into the model were weighted average share price of €6.02 (2017: €4.50) 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 (2017: 3 years).

**14. Trade and other payables**

	2018	2017
	€	€
Trade payables	267,578	69,754
Other trade payables	137,908	120,014
Amounts due to fellow subsidiaries	-	16,272,543
Amounts due to subsidiaries	-	1,095,596
Amounts due to immediate parent company	-	496,930
Accruals and deferred income	1,149,586	143,882
Indirect taxation and social security	467,975	296,829
	<b>2,023,047</b>	<b>18,495,548</b>

In the preceding year, amounts due to fellow subsidiaries, subsidiaries and immediate parent company are unsecured, interest free and repayable on demand.

**15. Borrowings**

	2018	2017
	€	€
Borrowing from ultimate parent	-	216,000

During the year, the ultimate parent company has waived the balance due of €474,403 from the company and converted to capital contribution. In the previous year, the carrying amounts of borrowings approximated their fair value.

Borrowings from the ultimate parent were unsecured, interest free and repayable on demand.

**16. Expenses by nature**

Other operating expenses increased during the year due to recharges from a fellow subsidiary.

	2018	2017
	€	€
Platform fees	1,936,128	444,278
Consultancy fees	5,751,161	281,418
Legal fees	685,107	120,883
Gaming taxes	37,033	-
IT expenses	2,840,340	1,189,687
Other operating expenses	4,630,626	913,583
	15,880,395	2,949,849

Fees charged by the auditor for services rendered during the financial year ended 31 December 2018 are shown in the table below.

	2018	2017
	€	€
Annual statutory audit	16,000	16,000
Tax advisory and compliance services	1,400	1,400
	17,400	17,400

**17. Employee benefit expense**

	2018	2017
	€	€
Gross wages and salaries	10,254,091	6,022,304
Less: employee costs capitalised as part of software development	(5,178,730)	(2,494,673)
Net wages and salaries, including other benefits	5,075,361	3,527,631
Social security costs	444,424	258,880
Share options granted to employees (Note 10)	179,991	210,301
	5,699,776	3,996,812

The average number of persons employed during the year:

	2018	2017
Administrative	172	112

**18. Finance income**

	2018	2017
	€	€
Interest income on bank deposits	32	38

**19. Finance costs**

	2018	2017
	€	€
Other interest expense	40	-

**20. Tax**

	2018	2017
	€	€
Deferred tax (Note 18)	-	(427,564)
Current tax expense	203,091	9
	203,091	(427,555)

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

	2018	2017
	€	€
(Loss)/profit for the year	(8,263,535)	8,014,570
Tax at 35%	(2,892,237)	2,805,100
Tax effect of:		
Disallowed expenses	101,580	101,586
Group loss relief	1,490,085	(3,276,060)
Unrecognised current tax in prior year	203,091	-
Unrecognised deferred tax	1,300,572	(58,181)
	203,091	(427,555)

**21. Cash used in operations**

(i) Reconciliation of operating profit to cash generated from operations:

	2018 €	2017 €
Operating profit	(8,263,527)	8,014,532
Adjustments for:		
Amortisation of intangible assets (Note 5)	4,110,757	1,450,998
Depreciation of property, plant and equipment (Note 4)	364,491	253,562
Share-based payment	179,991	210,301
Changes in working capital:		
Trade and other receivables	18,322,861	(16,626,759)
Trade and other payables	(8,409,552)	11,043,473
Cash generated from operations	6,305,021	4,346,107

During the year, the ultimate and immediate parent company has waived amounts due to it by the Company amounting to EUR 11,317,587, which have been converted to a capital reserve. In addition, an exercise was carried out to offset intercompany balances, the result of which has resulted in a significant movement in trade and other receivables and trade and other payables.

(ii) Reconciliation of financial liabilities

	Loan from group parent €
Balance as at 1 January 2018	216,000
Transferred upon business combinations	217,576
Other non-cash movements	40,828
Waiver of amounts due to ultimate parent company	(474,404)
<b>Balance as at 31 December</b>	<b>-</b>

**22. Business combinations**

*Merger of legal entities*

The mergers referred to in note 1.1 'Basis of preparation' that impacted the results and balance sheet of the company were as follows were the acquisitions of Gridmanager Limited and BettingCloud Limited.

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

**22. Business combinations – continued**

*Merger of legal entities - continued*

	BettingCloud Limited	Gridmanager Limited €	Total €
Intangible assets	710,086	-	710,086
Property, plant and equipment	-	2,555	2,555
Deferred income tax assets	-	-	-
Trade and other receivables	383,892	54,644	438,536
Cash at bank and other intermediaries	4,610	25,942	30,552
Borrowings	(16,876)	(200,700)	(217,576)
Trade and other payables	(1,869,806)	(626,820)	(2,496,626)
<b>Net assets acquired</b>	<b>(788,094)</b>	<b>(744,379)</b>	<b>(1,532,473)</b>
Consideration	(307,467)	(16,929)	(324,396)
<b>Adjustment to equity</b>	<b>(1,095,561)</b>	<b>(761,308)</b>	<b>(1,856,869)</b>

**23. Related party transactions**

All companies forming part of Gaming Innovation Group, the shareholders and other companies controlled or significantly influenced by the shareholders are considered by the directors to be related parties as these companies are also ultimately owned by Gaming Innovation Group Inc.

iGamingCloud Limited and a fellow subsidiary IGamingCloud NV entered into an agreement whereby iGamingCloud Limited provides the use of the back-end to a related entity. The company earned revenue from the related party amounting to EUR 15,112,258 (2017: EUR 12,571,463).

iGamingCloud Limited also entered into an agreement with IGamingCloud Gibraltar, whereby iGamingCloud Limited provides the use of the bank-end, from which the company earned revenue amounting to EUR 2,750,200 (2016: EUR 1,900,000).

During the year, the ultimate and immediate parent companies have waived amounts due to them by the company amounting to EUR 474,404 and EUR 10,843,183 respectively and converted to a capital contribution reserve.

Year-end balances owed by or to related undertakings, arising in respect of the above transactions and cash advances, are disclosed in notes 7, 14 and 15.

**24. Significant risks and uncertainties**

It is the company'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 company may therefore be subject to such laws, directly or indirectly. The company 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.



**24. Significant risks and uncertainties - continued**

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 the company's revenue of around EUR 2 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 company'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, licence withdrawal, or unexpected tax exposures, which have not duly been provided for in these financial statements.

**25. Statutory information**

iGamingCloud Limited is a limited liability company and is incorporated in Malta.

The company's immediate parent company is Gaming Innovation Group plc, a company registered in Malta, with its registered address at @GIG Beach, Dragunara Street, St. Julians, Malta. GIG Inc is the ultimate parent company whose registered office is 10700 Strigfellow Rd, Suite 10, Bokeelia, FL 33922, USA.

Gaming Innovation Group plc prepares consolidated financial statements which are available at the registered office of iGamingCloud Limited.