MT SECURETRADE LIMITED

Annual Report and Financial Statements
31 December 2018

Company Registration Number: C56545

Directors' report

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

Principal activities and future developments

The Company's principal activity is the provision of online gaming services, primarily casino and sports.

Financial statement presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and in accordance with the Maltese Companies Act (Cap.386). The accounting policies as adopted in the published results for the year ended 31 December 2018 have been consistently applied.

Overall Company performance

During the year, the Company experienced a decline in revenues of 30.7% and a decrease in operating expenses of 11.8%. EBITDA loss increased from EUR 2.4 million in 2017 to EUR 3.8 million in 2018. EBTIDA is equivalent to operating loss before depreciation and amortisation. The results were impacted by the fine as disclosed in Note 16. The management of the company during 2018 decided to focus on certain key markets only which, although meant a decline in revenues during 2018 is expected to achieve a more efficient operations resulting in a better EBITDA in 2019 when compared to 2018.

During 2019, a fellow subsidiary forming part of the GIG Inc. Group will be merged into the Company, with a Net Asset Value of EUR 11.7 million as at 31 December 2018.

Revenues

Revenues in 2018 decreased to EUR 6.3 million (2017: EUR 9.1 million) which is equivalent to a decrease of 30.7%.

Operating expenses

Cost of services provided refers to the expenditure for gaming operations which include gaming taxes and licensing fees payable to game providers and payment service providers.

Gaming taxes for the full year 2018 amounted to EUR 0.9 million (2017: EUR 1.1 million). The decrease in gaming taxes is driven by a decline in net gaming revenue from regulated markets. The Company holds gaming licenses in the UK as well as international gambling licenses in Malta and Alderney, and pays betting duties in all markets in accordance with applicable local laws. The Company has secured a Swedish licence by end of year 2019, which are active in 2019.

Platform and service provider fees amounted to EUR 2.6 million (2017: EUR 4.8 million) for 2018.

During 2018, other operating expenses decreased when compared with the previous year to a total cost of EUR 10.3 million (2017: EUR 11.7 million). This, includes depreciation and amortisation cost of EUR 0.2 million (2017: EUR 0.1 million) and EUR 2.9 million (2017: EUR 3.2 million) of personnel expenses.

Loss from operations

Loss before tax for the year 2018 was EUR 4.0 million (2017: EUR 2.5 million).

Directors' report - continued

Statement of financial position

As at 31 December 2018, net current assets and net assets of the Company amounted to EUR 7.9 million and EUR 8.2 million respectively. The Company's net equity has strengthened following the capitalisation of intra-group loans and amounts due as further disclosed in Note 1.1.

Trade and other receivables decreased to EUR 10.6 million from EUR 75.3 million in 2017 whilst trade and other payables decreased from EUR 77.6 million in 2017 to EUR 13.3 million. These movements are mainly attributable to an offsetting exercise of intercompany balances.

Amounts due from payment providers increased from EUR 8.4 million in 2017 to EUR 10.1 million. Cash at bank and other intermediaries increased from EUR 5.7 million in 2017 to EUR 10.5 million in 2018. Trade and other payables have decreased during the year to EUR 13.3 million (2017: EUR 77.6 million). Significant liabilities on the balance sheet include players accounts amounting to EUR 5.2 million (2017: EUR 2.9 million) and accruals and deferred income amounting to EUR 3.7 million (2017: EUR 2.6 million). The movements in trade and other payables are mainly attributable to an offsetting exercise of intercompany balances.

Significant risks and uncertainties

The Company operates on the basis of its international license in Malta and other territory specific licenses.

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 Company'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 Company'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 Company in such countries.

Outside the European Union the regulatory frameworks are more fragmented. Regulatory developments in the online gaming sector and their implications for the Company are uncertain and government authorities could make assessments and decisions that differ from the Company'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 Company 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 Company has undergone a licence review from the UK Gambling Commission as a result of weaknesses in responsible gaming, anti-money laundering and related controls.

Directors' report - continued

Significant risks and uncertainties - continued

During 2019, the Company has entered into a regulatory settlement package with the UK Gambling Commission amounting to EUR 1.1 million, which was in line with the accrual recorded at year end.

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 financial results are set out on page 10. 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.

Directors

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

- Mr Robin Eirik Reed
- Mr Jan Mikael Angman (appointed on 20 February 2018 and resigned on 8 May 2019)
- Mr Justin Psaila (appointed on 8 May 2019)

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 Company as at the end of each reporting period and of the profit or loss for that period.

In preparing the financial statements, the director is 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 MT SecureTrade 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.

Directors' report - continued

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.

On behalf of the board

Mr Robin Eirik Reed Director	Mr Justin Psaila Director

Registered office:
@GiG Beach
Dragunara Road
St. Julians, STJ 3148
Malta

27 June 2019

Independent auditor's report

To the Shareholders of MT SecureTrade Limited

Report on the audit of the financial statements

Our opinion

In our opinion:

- MT SecureTrade 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

MT SecureTrade Limited's financial statements, set out on pages 9 to 42 , 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.

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.

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Independent auditor's report - continued

To the Shareholders of MT SecureTrade Limited

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 MT SecureTrade Limited

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 MT SecureTrade Limited

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

27 June 2019

Statement of financial position

	Notes	As at 31 December 2018 €	2017 €
ASSETS			
Non-current assets			
Intangible assets	4	**254,414**	166,163
Property, plant and equipment	5	**97,878**	135,408
Investments in subsidiaries	6	**6,000**	6,000
Deferred income tax assets	20	**12,919**	12,919
Total non-current assets		**371,211**	320,490
Current assets			
Trade and other receivables	7	**10,592,161**	75,265,578
Cash and cash equivalents	8	**10,520,133**	5,654,483
Total current assets		**21,112,294**	80,920,061
Total assets		**21,483,505**	81,240,551
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	9	**1,739**	1,739
Share premium	9	**1,461,551**	1,461,551
Capital reserves	10	**16,875,432**	1,656,555
Merger reserve	11	**(2,149,248)**	-
Other reserves	12	**3,653**	3,653
Accumulated losses		**(7,968,252)**	(3,827,817)
Total equity		**8,224,875**	(704,319)
Current liabilities			
Trade and other payables	14	**13,258,630**	77,640,642
Borrowings	15	**-**	4,304,228
Total liabilities		**13,258,630**	81,944,870
Total equity and liabilities		**21,483,505**	81,240,551

The notes on pages 13 to 42 are an integral part of these financial statements.

The financial statements on pages 9 to 42 were authorised for issue by the directors on 27 June 2019 and were signed by:

Mr Robin Erik Reed
Director

Mr Justin Psaila
Director

Statement of comprehensive income

	Notes	Year ended 31 December 2018 €	2017 €
Net revenue		**6,336,927**	9,145,303
Operating expenses			
Personnel expenses	17	**(2,905,365)**	(3,225,543)
Depreciation and amortisation	4, 5	**(188,623)**	(114,838)
Other operating expenses	16	**(7,200,724)**	(8,335,200)
Total operating expenses		**(10,294,712)**	(11,675,581)
Operating loss		**(3,957,785)**	(2,530,278)
Finance income	18	**615**	1,148
Loss before tax		**(3,957,170)**	(2,529,130)
Tax expense	19	**(183,265)**	(172)
Loss for the year		**(4,140,435)**	(2,529,302)

The notes on pages 13 to 42 are an integral part of these financial statements.

Statement of changes in equity

	Notes	Share capital €	Share premium €	Capital reserves €	Merger reserve €	Other reserves €	Accumulated losses €	Total €
Balance at 1 January 2017		1,739	1,461,551	1,444,071	-	3,653	(1,298,515)	1,612,499
Comprehensive income								
Loss for the year - total comprehensive income		-	-	-	-	-	(2,529,302)	(2,529,302)
Transactions with owners								
Value of employee services	10	-	-	212,484	-	-	-	212,484
Balance at 31 December 2017		1,739	1,461,551	1,656,555	-	3,653	(3,827,817)	(704,319)
Comprehensive income								
Loss for the year - total comprehensive income		-	-	-	-	-	(4,140,435)	(4,140,435)
Transactions with owners								
Value of employee services	10	-	-	(12,285)	-	-	-	(12,285)
Waiver of loans and amounts payable	10	-	-	15,231,162	-	-	-	15,231,162
Merger reserve created upon business combinations	11	-	-	-	(2,149,248)	-	-	(2,149,248)
Balance at 31 December 2018		**1,739**	**1,461,551**	**16,875,432**	**(2,149,248)**	**3,653**	**(7,968,252)**	**8,224,875**

The notes on pages 13 to 42 are an integral part of these financial statements.

Statement of cash flows

	Notes	Year ended 31 December 2018 €	2017 €
Cash flows from operating activities			
Cash generated from/(used in) operations	21	**2,670,796**	(3,633,149)
Interest received		**615**	1,148
Tax paid		**(69)**	(172)
Net cash generated from/(used in) operating activities		**2,671,342**	(3,632,173)
Cash flows from investing activities			
Purchases of property, plant and equipment	5	**-**	(28,135)
Purchases of intangible assets	4	**(204,639)**	(101,826)
Net cash used in investing activities		**(204,639)**	(129,961)
Cash flows from financing activities			
Borrowings from parent company	15	**(136,715)**	3,220,635
Net cash generated from financing activities		**(136,715)**	3,220,635
Net movement in cash and cash equivalents		**2,329,988**	(541,499)
Cash and cash equivalents at beginning of year		**1,384,080**	1,925,579
Cash and cash equivalents received upon business combinations	22	**18,399**	-
Cash and cash equivalents at end of year	8	**3,732,467**	1,384,080

The notes on pages 13 to 42 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). 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, MT SecureTrade Limited is exempt from the preparation of consolidation financial statements by virtue of Section 174 of the Maltese Companies Act (Cap. 386). They have been prepared under the historical cost convention, as modified by the revaluation of financial liabilities at fair value through profit or loss.

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 has changed from a net liability position of EUR 0.7 million in 2017 to a net asset position of EUR 8.2 million in 2018. The Company's net equity has strengthened following the capitalisation of intra-group balances amounting to EUR 15,231,162 as further disclosed in Note 10.

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 current and preceding periods. Consequently, the directors deem that the Company is a going concern. Subsequent to year end, a fellow subsidiary will be merged into the Company with a net asset value of EUR 11.7 million value.

Merger of legal entities

During the current financial year, a related company forming part of the GiG Inc. Group has 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 this merger is 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, MT SecureTrade Limited applied the predecessor method of accounting to reflect the transactions referred to above (refer to accounting policy 1.2 'Business combinations').

During 2019, another related company forming part of the GIG Inc. Group will be merged into the Company. The same method of accounting will be applied.

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 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 Company'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 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 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. 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 Company's accounting policy is to present all exchange differences within finance income or finance costs including exchange differences arising on cash and cash equivalents and amounts due from payment providers.

1.4 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.

1.5 Intangible assets

(a) Domains and licenses

Separately acquired domains and licenses are shown at historical cost. The majority of separately acquired domains have an indefinite useful life. The useful life of domains that had a finite useful life, which comprise a small number of domains acquired in the past, was 3 years. The useful life of licenses is determined in relation to the term of the license agreement, which is three years. Amortisation is calculated using the straight-line method to allocate the cost of domains over their estimated useful lives.

1 Summary of significant accounting policies – continued

1.5 Intangible assets - continued

(b) Computer software

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 3 years or, in the case of computer software, over the term of the license agreement, if different.

Costs associated with maintaining computer software programmes 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 Company 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.

1.6 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
Computer equipment	3
Plant and office equipment	6
Installations and improvements 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 1.7).

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

1.7 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.

1.8 Financial assets

1.8.1 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.

1.8.2 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.

1.8.3 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.

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

1.8 Financial assets - continued

1.8.3 Measurement - continued

(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 Company 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.

(b) Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company'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 Company's right to receive payments is established.

1.8.4 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 Summary of significant accounting policies – continued

1.8 Financial assets - continued

1.8.5 Accounting policies applied until 31 December 2017

The Company has applied IFRS 9 prospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Company'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
- 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.

(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.

1 Summary of significant accounting policies – continued

1.8 Financial assets - continued

1.8.5 Accounting policies applied until 31 December 2017 - continued

(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 Company 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

1.9 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 1.8.4). 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 and e-wallets.

Cash and cash equivalents exclude balances held on behalf of customers, which are held separately and distinct from the funds of the Company, and whose use is restricted.

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.

1.12 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 Summary of significant accounting policies – continued

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 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

1.16 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.

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.

1.17 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:

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

1.17 Share-based payments - continued

- 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 ultimate parent Company 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.

1.18 Revenue recognition

Gaming transactions that are not deemed to be financial instruments, where the Company 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 Company's performance obligation in this service is the provision of the poker game to the individual players. The performance obligation is satisfied and the Company 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 Company 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 Company 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.

Shared conduct of business arrangements are all contractual agreements whereby two or more parties jointly undertake an economic activity. In respect of its interest in such arrangements, the Company recognises the assets that it controls, the expenses and liabilities that it incurs and its share of the income that it earns from the sale of goods or services through the shared conduct of business arrangements.

Other income is recognised as it accrues unless collectability is in doubt.

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.

1 Summary of significant accounting policies – continued

1.19 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.

1.20 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 (including foreign exchange risk and price 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.

(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 in various countries with various currency exposures, such as Norwegian krone, New Zealand dollar, Canadian dollar, Swedish kronor and GB pound. The Company's operations partially result in a natural hedge of operating currency risks since customer deposits and customer withdrawals, as far as practicable, are transacted in the original currency.

The table below summarises the Company's main exposure to foreign currencies other than the functional currency:

	Assets	Liabilities	Net exposure
	€	€	€
As at 31 December 2018			
CAD to EUR	1,011,017	(198,180)	812,837
GBP to EUR	1,402,775	(1,586,853)	(184,078)
SEK to EUR	1,319,667	(718,604)	601,063
NZD to EUR	2,192,467	(79,658)	2,112,809
NOK to EUR	5,311,426	(596,114)	4,715,312
	11,237,352	**(3,179,409)**	**8,057,943**

2 Financial risk management - continued

2.1 Financial risk factors – continued

(a) Market risk – continued

(i) Foreign exchange risk – continued

	Assets	Liabilities	Net exposure
	€	€	€
As at 31 December 2017			
CAD to EUR	876,938	(55,147)	821,791
GBP to EUR	2,070,198	(658,766)	1,411,432
SEK to EUR	2,118,299	(351,344)	1,766,955
NOK to EUR	603,770	(439,940)	163,830
	5,669,205	**(1,505,197)**	**4,164,008**

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 reporting period is not deemed necessary since the exposure is not deemed to be significant.

(ii) Price risk

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

The Company is exposed to market risk due to the possibility of an unfavourable outcome on events on which the Company has accepted bets. The Company 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 larger number of events and sports. The Company's exposure to open bets was not significant 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.

(b) Credit risk

Credit risk mainly arises on cash and cash equivalents, receivables from payment providers, amounts due from fellow subsidiaries, related parties and other receivables as follows:

	2018	2017
	€	€
Financial assets at amortised cost:		
Cash at bank and other intermediaries (Note 8)	**10,520,133**	5,654,483
Receivables from payment providers (Note 7)	**10,076,153**	8,402,377
Amounts due from subsidiaries (Note 7)	**582**	66,301,767
Amounts due from related party (Note 7)	**4,401**	-
Other receivables (Note 7)	**350,090**	379,263
Net exposure	**20,951,359**	80,737,890

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 or payment intermediaries with quality standing and does not consider that there was any material credit risk 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+	**2,216,593**	-
A-	**-**	1,263
BBB+	**892,710**	951,494
BBB	**755,524**	-
BB+	**153,445**	3
BB	**-**	1,098,163
Below BB or not rated	**6,501,863**	3,603,561
	10,520,135	5,654,484

Impairment of financial assets

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

- other receivables
- other financial assets carried at amortised cost

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

The directors expect to recover the other receivables due to the nature of the receivable. Any impairment loss would be immaterial.

2 Financial risk management - continued

2.1 Financial risk factors – continued

(b) Credit risk - continued

Previous accounting policy for impairment of financial assets

In the prior year, the Company assessed 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.

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 players' accounts of EUR 5,235,588 (2017: EUR 2,872,038), trade payables of EUR 557,444 (2017: EUR 814,160), amounts due to fellow subsidiaries of EUR 1,547,426 (2017: EUR27,404,932), other payables of EUR23,450 (2017: EUR 32,221) and indirect taxation and social security of EUR 2,159,938 (2017: EUR 1,328,069).

Liquidity risk is monitored at a group level by ensuring that sufficient funds are available to each subsidiary within the Group. Group management monitors liquidity risk by means of continuous observation of cash inflows and cash outflows. To improve the net cash inflows and to maintain cash balances at a certain level, management ensures that no additional financing facilities are expected to be required over the coming year.

2 Financial risk management - continued

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.

In assessing the adequacy of the Company's capital, the directors give due consideration to the undertaking by the group parent Company that it will not request amounts due until funds are available as described above.

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

(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.

In the opinion of the directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1, other than significant uncertainty associated with the legal environment that the Company operates in as referred to in Note 24 to these financial statements and the matters addressed below.

(b) Valuation of share options

As explained in Note 13, the Company's ultimate parent operates equity-settled share-based compensation plans under which the Company receives services from employees as consideration for equity instruments of GIG Inc. In order to determine the fair value of services provided, the Company 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.

(c) Accrual for potential regulatory sanctions

As discussed in Note 24, the Company has undergone a licence review from the UK Gambling Commission. During 2019, the Company has entered into a regulatory settlement package amounting to EUR 1.1 million, which was in line with the accrual recorded at year end.

4. Intangible assets

	Domains	Licences	Computer software	Total
	€	€	€	€
Cost				
As at 1 January 2017	118,110	134,681	61,081	313,872
Reclassification	-	(484)	484	-
Additions	-	97,826	4,000	101,826
As at 31 December 2017	118,110	232,023	65,565	415,698
As at 1 January 2018	118,110	232,023	65,565	415,698
Acquisitions upon merger (Note 22)	19,850	-	-	19,850
Additions	-	103,123	101,516	204,639
As at 31 December 2018	**137,960**	**335,146**	**167,081**	**640,187**
Accumulated amortisation				
As at 1 January 2017	40,697	134,382	42,825	217,904
Reclassification	73,952	(43,612)	(30,340)	-
Amortisation charge	2,371	22,251	7,009	31,631
As at 31 December 2017	117,020	113,021	19,494	249,535
As at 1 January 2018	117,020	113,021	19,494	249,535
Amortisation charge	7,316	70,016	58,906	136,238
As at 31 December 2018	**124,336**	**183,037**	**78,400**	**385,773**
Carrying amount				
As at 1 January 2017	77,413	299	18,256	95,968
As at 31 December 2017	1,090	119,002	46,071	166,163
As at 31 December 2018	**13,624**	**152,109**	**88,681**	**254,414**

5. Property, plant and equipment

	Installations and improvements to leasehold premises	Plant and office equipment	Computer equipment	Total
	€	€	€	€
Cost				
As at 1 January 2017	7,431	192,996	207,377	407,804
Reclassification	15,814	(15,814)	-	-
Additions	-	-	28,135	28,135
As at 31 December 2017	23,245	177,182	235,512	435,939
As at 1 January 2018	23,245	177,182	235,512	435,939
Acqusitions upon merger (Note 22)	-	12,428	2,427	14,855
Additions	-	-	-	-
As at 31 December 2018	**23,245**	**189,610**	**237,939**	**450,794**
Accumulated depreciation				
As at 1 January 2017	6,352	80,068	130,904	217,324
Reclassification	5,270	(5,270)	-	-
Depreciation charge	3,875	29,745	49,587	83,207
As at 31 December 2017	15,497	104,543	180,491	300,531
As at 1 January 2018	15,497	104,543	180,491	300,531
Depreciation charge	3,874	21,224	27,287	52,385
As at 31 December 2018	**19,371**	**125,767**	**207,778**	**352,916**
Net book value				
As at 1 January 2017	1,079	112,928	76,473	190,480
As at 31 December 2017	7,748	72,639	55,021	135,408
As at 31 December 2018	**3,874**	**63,843**	**30,161**	**97,878**

6. Investment in subsidiary

	€
Year ended 31 December	
Opening and closing net book amount	6,000

Subsidiary	Registered office	Class of shares held	Percentage of voting rights held directly by parent 2018 %	2017 %
NV SecureTrade	Dr. M J Hugenholtzweg Z/N, UTS Gebouw, Curacao	Ordinary shares	**100**	100

7. Trade and other receivables

	2018 €	2017 €
Amounts due from payment providers	**10,076,153**	8,402,377
Amounts due from parent company	**-**	3,847,033
Amounts due from subsidiaries	**-**	1,568
Amounts due from fellow subsidiaries	**581**	62,453,166
Amounts due from related parties	**4,401**	-
Other receivables	**350,090**	379,263
Prepayments and accrued income	**160,936**	182,171
	10,592,161	75,265,578

Amounts from fellow subsidiaries and related parties, and in the preceding year amounts due from parent company and 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	**10,520,133**	5,654,483
Less: restricted cash	**(6,787,666)**	(4,270,403)
Cash and cash equivalents	**3,732,467**	1,384,080

At 31 December 2018 EUR 6,787,666 (2017: EUR 4,270,403) was held in a fiduciary capacity and represented customer monies whose use is restricted in terms of the Malta Gaming Act 2018 and the UK Gambling Act, 2005.

9. Share capital and share premium

	Number of ordinary shares	Ordinary shares €	Share premium €	Total €
Authorised share capital				
Ordinary A shares				
At 1 January and 31 December 2017	176,680	1,767	-	1,767
At 1 January and 31 December 2018	**176,680**	**1,767**	**-**	**1,767**
Ordinary B shares				
At 1 January and 31 December 2017	100	1	-	1
At 1 January and 31 December 2018	**100**	**1**	**-**	**1**

The ordinary 'B' shares shall not carry a right to receive dividends and are not entitled to any assets upon dissolution or winding up of the Company, but in all other matters shall rank pari passu with the ordinary 'A' shares.

	Number of ordinary shares	Ordinary shares €	Share premium €	Total €
Issued and fully paid				
Ordinary A shares				
As at 1 January and 31 December 2017	173,847	1,738	1,461,551	1,463,289
As at 1 January and 31 December 2018	**173,847**	**1,738**	**1,461,551**	**1,463,289**
Ordinary B shares				
At 1 January 2016 and 31 December 2017	100	1	-	1
At 1 January 2017 and 31 December 2018	**100**	**1**	**-**	**1**

10. Capital contribution reserves

	2018	2017
	€	€
At 1 January	**1,656,555**	1,444,071
Capital contribution arising on granting of share options by the ultimate parent company	**(12,285)**	212,484
Waiver of loans payable	**15,231,162**	-
At 31 December	**16,875,432**	1,656,555

During the year the ultimate and immediate parent companies have waived amounts due to them by the Company amounting to EUR 5,112,000 and EUR 10,119,162 respectively, which have been converted to a capital reserve.

11. Merger reserve

	€
At 1 January 2018	-
Reserve created upon business combination	(2,149,248)
At 31 December 2018	**(2,149,248)**

During the year, a merger has been carried out as disclosed in Note 22.

12. Other reserves

	Currency translation reserve
	€
At 1 January 2017 and 2018	3,653
Currency translation differences	-
At 31 December 2018	**3,653**

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.

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 of 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.

13. Share based payments – continued

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 employee services

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

	2018		2017	
	Average exercise price in €		Average Exercise price in €	
	per option	**Options**	per option	Options
Share options which were granted or converted into options of GIG Inc.				
At 1 January	**1.10**	**611,551**	0.40	890,981
At 31 December	**2.99**	**90,797**	1.10	611,551
Share options which were granted or converted into options of GIG Inc.				
Granted	-	-	4.50-4.80	140,000
Exercised	-	**275,331**	0.10	207,808
Tranferred to another subsidiary company within group	-	**165,151**	4.10	36,000
Forfeited during the year	**1.13**	**80,272**	0.90	175,622

Out of the 90,797 (2017: 611,551) outstanding option which were granted or converted into options of GIG Inc., 12,000 (2017: none) were exercisable.

Options which were converted into GIG Inc. shares, and exercised in 2018 resulted in 275,331 shares (2017: 207,808) being issued at nil weighted average price (2017: EUR 0.10). The related weighted average share price at the time of exercise was EUR 5.52 (2017: EUR 4.30) per share.

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

13. Share based payments - continued

c. Share options granted as consideration for employee services - continued

Grant dates (range)	Vest dates (range)	Expiry dates (range)	Exercise prices in option (range) €	Share options 2018	2017
2014-2015	2016-2019	January 2018-January 2019	Nil	30,796	461,551
2015	2016-2018	August 2018-May 2018	1.60 - 1.70	-	10,000
2017	2018-2020	December 2022	4.50 - 4.80	60,000	140,000
				90,796	611,551

There were no share options which were not converted into options of GIG Inc, outstanding at the end of the current and prior periods.

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% (2017: 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.

14. Trade and other payables

	2018 €	2017 €
Trade payables	**557,444**	814,160
Players' accounts	**5,235,588**	2,872,038
Jackpot balances	**1,655,569**	1,398,366
Amounts due to subsidiaries	-	42,557,011
Amounts due to fellow subsidiaries	**1,547,426**	27,404,932
Other payables	**23,450**	32,221
Indirect taxation and social security	**2,159,938**	1,328,069
Accruals and deferred income	**2,079,215**	1,233,845
	13,258,630	77,640,642

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

15. Borrowings

	2018	2017
	€	€
Loans from ultimate parent company	-	4,304,228

During the year, the Company's ultimate parent entity has waived any balances due from the Company and the balance was converted to a capital contribution reserve.

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

16. Other operating expenses

	2018	2017
	€	€
Platform and service provider fees	**2,607,165**	4,842,560
Gaming taxes	**859,169**	1,073,354
Consultancy and professional fees	**294,103**	161,500
Operating leases	**86,640**	251,052
Fines and penalties	**1,102,400**	2,160
Foreign exchange differences	**1,485,287**	879,144
Other operating expenses	**765,960**	1,125,430
	7,200,724	8,335,200

Fees charged by the auditor for services rendered during the financial period ended 31 December 2018 and 2017 are shown in the table below.

	2018	2017
	€	€
Annual statutory audit	**43,000**	43,000
Tax advisory and compliance services	**1,652**	1,652
	44,652	44,652

17 Employee benefit expense

	2018	2017
	€	€
Gross wages and salaries	**2,875,785**	2,874,901
Less: employee costs capitalised as part of software development	**(101,516)**	-
Net wages and salaries, including other benefits	**2,774,269**	2,874,901
Social security costs	**143,381**	138,158
Share options granted to employees	**(12,285)**	212,484
	2,905,365	3,225,543

17 Employee benefit expense - continued

The average number of persons employed during the year:

	2018	2017
Managerial	**1**	1
Administrative	**54**	63
	55	64

Director's remuneration

	2018 €	2017 €
Remuneration and other emoluments	**150,603**	128,145

18. Finance income

	2018 €	2017 €
Interest income on bank deposits	**469**	1,059
Other interest income	**146**	89
	615	1,148

19. Tax expense

	2018 €	2017 €
Deferred tax expense	**(183,196)**	-
Current tax expense	**(69)**	(172)
	(183,265)	(172)

The tax on the Company's loss before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	2018 €	2017 €
Loss before tax	**(3,957,170)**	(2,529,130)
Tax at 35%	**(1,385,010)**	(885,195)
Tax effect of:		
Group loss relief	**-**	778,556
Disallowed expenses	**393,737**	83,622
Unrecognised deferred tax movement	**991,233**	23,075
Deferred tax asset acquired upon merger, written off during the year	**(183,196)**	-
Income subject to reduced rates of tax, and other movements	**(29)**	(230)
Tax expense	**(183,265)**	(172)

As at 31 December 2018, the Company had unutilised trading losses amounting to EUR 4,961,793 (2017: EUR 2,220,292), capital allowances amounting to EUR 277,252 (2017: EUR 182,843) and net taxable temporary difference arising on intangible assets and plant and equipment amounting to EUR 42,404 (2017: EUR 38,589). The related net deferred tax asset was not fully recognised.

20. Deferred taxation

Deferred taxes are calculated on all temporary differences under the liability method and are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been enacted by the end of the reporting period. The principal tax rate used is 35% (2017: 35%). The movement on the deferred tax is as follows:

	2018	2017
	€	€
As at 1 January	**12,919**	12,919
Deferred tax asset acquired upon merger (Note 22)	**183,196**	-
Deferred tax liability on temporary differences - recognised in profit or loss	**(183,196)**	-
As at 31 December	**12,919**	**12,919**

The amounts disclosed in the table above are recognised in the statement of comprehensive income.

The balance as at 31 December represents:

	2018	2017
	€	€
Exchange variances	**(5,299)**	(5,299)
Difference between the tax base and carrying amounts of intangible and tangible assets	**5,138**	5,138
Capital allowances and tax losses	**13,080**	13,080
	12,919	12,919

The recognised deferred tax asset is expected to be realised principally after more than twelve months. Unrecognised temporary differences are disclosed in Note 19 to the financial statements.

21. Cash used in operations

(a) Reconciliation of operating loss to cash used in operations:

	2018	2017
	€	€
Operating loss	**(3,957,785)**	(2,530,278)
Adjustments for:		
Amortisation of intangible assets (Note 4)	**136,238**	31,631
Depreciation of property, plant and equipment (Note 5)	**52,385**	83,207
Share-based payment	**(12,285)**	212,484
Changes in working capital:		
Trade and other receivables	**74,808,212**	(49,148,079)
Trade and other payables	**(65,838,706)**	49,476,892
Restricted cash	**(2,517,263)**	(1,759,006)
Cash generated/(used in) from operations	**2,670,796**	(3,633,149)

During the year, the ultimate and immediate parent companies have waived amounts due to them by the Company amounting to EUR10,119,162, 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.

(b) Reconciliation of financial liabilities

	Loan from group parent
	€
Balance as at 1 January 2017	1,083,593
Cash flows	3,220,635
Balance as at 31 December 2017	**4,304,228**
Balance as at 1 Janaury 2018	4,304,228
Transferred upon business combinations	944,487
Cash flows	(136,715)
Waiver of amounts due to ultimate parent company	(5,112,000)
Balance as at 31 December 2018	**-**

22. Business combinations

The merger referred to in Note 1 'Basis of preparation' that impacted the results and balance sheet of the Company was the merger of Candid Gaming Limited, a subsidiary of the Company's ultimate parent (GiG Inc.) which was acquired by the Company.

The net assets acquired by the Company upon the merger noted above are reflected below:

	€
Intangible assets	19,850
Property, plant and equipment	14,855
Deferred income tax assets	183,196
Trade and other receivables	16,833
Cash at bank and other intermediaries	18,399
Borrowings	(944,487)
Trade and other payables	(1,123,216)
Net liabilities acquired	**(1,814,570)**
Consideration	(334,678)
Adjustment to equity	**(2,149,248)**

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

23. Related party transactions

All companies forming part of the Gaming Innovation Group are considered by the directors to be related parties as these companies are also ultimately owned by Gaming Innovation Group Inc.

MT SecureTrade Limited and a fellow subsidiary entered into an agreement for the purpose of sharing the conduct of their business for the pursuit of common business goals whereby MT SecureTrade Limited is engaged in the operation of the licensed activity whilst the fellow subsidiary provides ancillary services. The revenue share payable in terms of the joint venture operations is EUR 7,570,536 (2017: EUR 6,106,855).

Key management personnel compensation, consisting of directors' remuneration, has been disclosed in Note 17.

23. Related party transactions - continued

(a) Year-end balances arising from amounts due and loans from related parties and other transactions, including cash advances.

	2018	2017
	€	€
Other receivables from related parties (Note 7)		
parent company	**-**	3,847,033
subsidiaries	**-**	1,568
fellow subsidiaries	**581**	-
related parties	**4,401**	62,453,166
Other payables to related parties (Note 14)		
subsidiaries	**-**	42,557,011
fellow subsidiaries	**1,547,426**	27,404,932
Loans from ultimate parent entity (Note 15)	**-**	4,304,228

24. Significant risks and uncertainties

The Company operates on the basis of its international license in Malta and other territory specific licenses.

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 Company'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 Company'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 Company in such countries.

24. Significant risks and uncertainties - continued

Outside the European Union the regulatory frameworks are more fragmented. Regulatory developments in the online gaming sector and their implications for the Company are uncertain and government authorities could make assessments and decisions that differ from the Company'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 Company 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 Company has undergone a licence review from the UK Gambling as a result of weaknesses in responsible gaming, anti-money laundering and related controls.

During 2019, the Company has entered into a regulatory settlement package with the UK Gambling Commission amounting to EUR 0.8 million, which was in line with the accrual recorded at year end.

25. Statutory information

MT SecureTrade 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 Road, 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 MT SecureTrade Limited.