GiG

2017
ANNUAL REPORT
& Consolidated Financial Statements

Gaming Innovation Group p.l.c.

Company Registration Number: C44319

This report covers Gaming Innovation Group plc only, for the full Gaming Innovation Group Inc Annual Report, please see the Company website www.gig.com

gig.com

Director's report

The director presents his report and the audited consolidated financial statements for the year ended 31 December 2017.

Principal activities and future developments

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

Events after the reporting date

On 2 January 2018, the Company has acquired an additional 16 per cent of the issued share capital of D-Tech International Limited for EUR 160,000 thus raising its total shareholding to 36 per cent.

There have been no other material subsequent events after 31 December 2017.

Overall Group performance

The Group performance for 2017 was strong as it experienced growth in revenues of 134% whilst operating expenses (including marketing expenses) increased by 140%. The overall increase in active customers, the contribution from the acquired businesses, including the acquisition of Rebel Penguin in the late part of the third quarter and affiliate asset acquisitions amounting to €46.7 million have led to this growth. EBITDA has increased from a profit of €6.2 million in 2016 to €15.4 million in 2017. This proves the scalability of the Group's business and the ability to grow in a profitable manner.

Revenues

Revenues in 2017 increased to EUR 121.0 million (2016: EUR 51.8 million) which is equivalent to an increase of 134%.

Net Gaming revenue from Casino and Sports amounted to EUR 85.3 million (2016: EUR 41.2 million) for the full year 2017.

Revenues from performance marketing increased to EUR 17.9 million (2016: EUR 7.0 million) for the full year 2017, and revenues from platform services increased to EUR 17.7 million (2016: EUR 3.6 million).

Cost of sales

Cost of services includes gaming taxes, licensing fees payable to games providers and costs for payment services. Gaming taxes for the full year 2017 amounted to EUR 3.3 million (2016: EUR 0.8 million). The increase in gaming taxes is driven by growth in revenue from regulated markets. The Group holds licenses in Malta as well as international licences in UK, Curacao and Alderney, and pays betting duties in regulated markets in accordance with applicable local laws.

Platform and service provider fees amounted to EUR 16.5 million for the full year 2017 (2016: EUR 8.2 million).

Director's report - continued

Marketing expenses

During 2017, marketing costs were EUR 47.0 million (2016: EUR 18.9 million) with 32.7% out of total marketing cost relating to up-front marketing (2016: 28.7%), as a result of strong year-on-year organic growth, the integration of the betit brands and the launch of Highroller.com in the late part of the fourth quarter.

Total operating expenses

During 2017, total operating expenses were EUR 116.3 million (2016: EUR 48.5 million). This total includes EUR 10.9 million (2016: EUR 3.0 million) of depreciation and amortisation charges and EUR 22.8 million (2016: EUR 10.4 million) of personnel costs. Personnel and administrative costs have increased from prior year as a result of increasing staff headcount and due to the Rebel Penguin acquisition.

Profit from operations

Profit before tax from operations for the full year 2017 was EUR 3.0 million (2016: EUR 2.2 million).

Net finance costs

Net finance costs for 2017 were EUR 1.6 million (2016: EUR 1.1 million). The increase in 2017 is mainly due to the interest on bonds which was partly set off by a favourable difference on exchange.

Statement of financial position

The Group's statement of financial position reflects the impact of the Group's growth, and the impact of the acquisition of Rebel Penguin and affiliate assets. The largest asset on the balance sheet relates to intangible assets, which mainly comprises goodwill generated through business combinations, as well as affiliate assets acquired. Trade and other receivables increased to EUR 27.5 million from EUR 13.4 million in 2016, mainly driven by increased activity in customer deposits and hence higher balances due from payment providers as well as an increase in revenues generated from performance marketing generally with a 30-day credit period.

Significant liabilities in the balance sheet include trade and other payables, borrowings from the Group's parent and the bond issue. Trade and other payables have increased in line with higher activity. The parent company has undertaken to not request the amount due to it of EUR 87,322,935, until sufficient funds are available to the Group as further disclosed in Note 18 to the financial statements. The Group has successfully completed the issuance of a SEK 400 million senior secured bond in the Nordic bond market, with a SEK 1,250 million borrowing limit, which settlement happened on 6 March 2017, with final maturity on 6 March 2020. The bond issue has a fixed coupon of 7.0% p.a. The bonds have been listed on the Oslo Stock Exchange. On 21 September 2017, the Group has successfully completed a tap issue of SEK 250 million of the senior secured bond.

Financing and cash flow

The Group experienced a net cash inflow during the year of EUR 4.3 million. This was mainly a result of the acquisitions made, related financing activity, and the marketing drive for the year under review.

Director's report - continued

Significant risks and uncertainties

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

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

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

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

In 2017, a minor portion (5.3%) of the Group's online revenue was derived from a particular jurisdiction outside the European Union/European Economic Area (hereinafter referred to as "EU/EEA"). In view of legal restrictions put in place in such jurisdiction, which had the legal prerogative to regulate its own territory, the Company's management resolved to cease to offer B2C gaming services to customers in this jurisdiction.

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

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

This evolving environment makes compliance an increasingly complex area with the risk of non-compliance with territory specific regulations, including responsible gambling and anti-money laundering obligations. These uncertainties represent a risk for the Group's ability to develop and grow the business, as changes in legislation or enforcement practices could force the group to exit markets, or even result in financial sanctions, litigation, licence withdrawal, or unexpected tax exposures, which have not duly been provided for in these financial statements.

Director's report - continued

Results and dividends

The income statements are set out on page 17. The director did not declare a dividend during the current and preceding financial years. The director proposes that the balance of retained earnings amounting to EUR 2,162,813 to be carried forward to the next financial year.

Financial risk management

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

Director

The director of the Company who held office during the year was Mr Robin Eirik Reed.

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

Statement of director's responsibilities for the financial statements

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

In preparing the financial statements, the 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 Group and the parent company will continue in business as a going concern.

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

Director's 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.

Mr. Robin Eirik Reed
Director

Registered office
GB Buildings Penthouse
Watar Street
Ta' Xbiex
XBX 1301
Malta

27 April 2018

Independent auditor's report

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

Report on the audit of the financial statements

Our opinion

In our opinion:

- Gaming Innovation Group p.l.c.'s Group and Parent Company financial statements (the "financial statements") give a true and fair view of the Group and the Parent Company's financial position as at 31 December 2017, and of the Group's and the Parent Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

What we have audited

Gaming Innovation Group p.l.c.'s financial statements, set out on pages 15 to 78, comprise:

- the Consolidated and Parent Company statements of financial position as at 31 December 2017;
- the Consolidated and Parent Company income statements and statements of comprehensive income for the year then ended;
- the Consolidated and Parent Company statements of changes in equity for the year then ended;
- the Consolidated and Parent Company statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

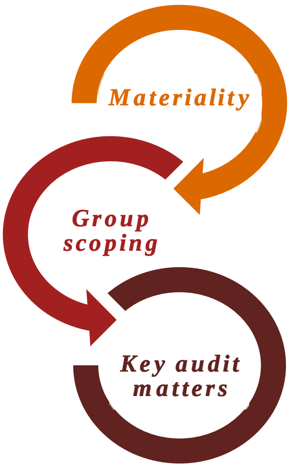
We are independent of the Group and the Parent Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive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

Independent auditor's report - continued

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

Our audit approach

Overview



- Overall Group materiality: €1.2 million, which represents 1% of net revenues

- We conducted a full scope audit of the significant components, and performed specified audit procedures on certain account balances.

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

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

Materiality

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

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

Independent auditor's report *- continued*

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

Overall Group materiality	€1.2 million
How we determined it	1% of net revenues
Rationale for the materiality benchmark applied	We chose net revenues as the benchmark because, in our view, it is a key financial metric used in assessing the performance of the Group. We chose 1% based on our professional judgement noting that it is also within the range of commonly accepted revenue related benchmarks.

We agreed with the director that we would report to him misstatements identified during our audit above €120,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

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

Key audit matter	How our audit addressed the Key audit matter
Compliance with laws and regulations given the developing nature of the gaming sector Refer to page 3 "Significant risks and factors of uncertainties" in the Director's report, and Note 32 Significant risks and uncertainties. GiG operates on the basis of its international licence in Malta, and other territory specific licences. For internet-based betting operations, there is uncertainty as to which country's law ought to be applied, as the internet operations can be linked to several jurisdictions. Regulations are developing, and this evolving environment makes compliance an increasingly complex area with the potential for litigation and licence withdrawal from non-compliance with territory specific regulations, responsible gambling and anti-money laundering obligations.	We assessed how management monitors legal and regulatory developments, and their assessment of the potential impact on the business. We also read, where required, external legal advice sought by the Group. Further, we inquired of management, and the Group's internal legal counsel and compliance officer about any known instances of material breaches in regulatory or licence compliance that needed to be disclosed, or required accruals or provisions to be recorded. Whilst acknowledging that there are instances where this becomes a judgemental area, we found that the Group had an appropriate basis of accounting for these matters in the financial statements, and the resultant disclosures in the financial statements were appropriate.

Independent auditor's report - continued

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

Key audit matter	**How our audit addressed the Key audit matter**
Given the potential for litigation and licence withdrawal, the risk of non-compliance with gaming laws and licence regulations could give rise to material fines, taxes, penalties, legal claims or market exclusion. We focused on this area due to its inherent complexity.	
Accounting for goodwill and intangible assets in the consolidated financial statements	
a) Assessment of impairment	
Goodwill with a carrying amount of €53.8 million as at 31 December 2017, has arisen from a number of acquisitions made during the current and preceding financial years. An assessment is required annually to establish whether any impairment is required. The assessment was performed at the lowest level at which GiG could allocate and assess goodwill, which is referred to as a cash generating unit ("CGU"). Management considers that the Group operates as two CGUs, B2C and B2B CGUs. The impairment assessment relied on value-in-use calculations based on the estimated future free cash flow to be generated by the CGUs, discounted to present value at an appropriate discount rate based on GiG's estimated weighted average cost of capital. The cash flow projections were based on the Group's budget for 2018, the business plan for 2019 – 2021, and an annual growth rate of 2% beyond that period. As stated in Note 2, 2017 was a loss-making year for the B2C segment. Management has identified a number of initiatives to improve future performance, and accordingly does not consider this CGU to be impaired. Further information is disclosed in Notes 4 and 5 to the financial statements.	In respect of the impairment assessment of goodwill, a key component of our work was to evaluate the appropriateness of the methodology applied, and the assumptions underlying the discounted cash flow model prepared by management, by involving our independent valuation experts. We reviewed and concur with management's assessment of the cash generating units (CGU's) for this year. The calculations underlying the impairment model were reviewed in order to check the model's accuracy. Furthermore, management's free cash flow forecast was assessed, and agreed to the most recent business plan approved by the Group. Our independent valuation experts also critically assessed the discount rate and long-term growth assumptions applied in the discounted cash flow model. We found these to be within a reasonable range of our expectations. We also performed a sensitivity analysis to assess whether a reasonable change in key assumptions could result in an impairment. In view of the extent of headroom available in the impairment assessment of the B2B segment, in order for this segment to be impaired, a significant deterioration in performance would need to occur. We agreed with management's assessment that a movement of this magnitude in these key assumptions is unlikely. In the case of the B2C segment, should the achieved growth in revenue and earnings be materially lower than that assumed by management in its cash flow forecast and this is not compensated by savings in marketing and/or operating expenses, then an impairment charge may arise.

Key audit matter	How our audit addressed the Key audit matter
The forecast free cash flow to be generated by each CGU, and the rate at which such free cash flow is discounted, are based on a number of assumptions that require significant judgement, particularly with regard to the assumed future earnings, and the assessment of the related risk factors. Such forecast free cash flow may be affected by unexpected changes in future market and economic conditions. Given the inherent judgement required in the impairment assessment as well as the materiality of goodwill, this area is being identified as an area of audit focus.	The appropriateness of disclosures made in relation to the impairment assessment of goodwill was also reviewed.
b) Basis of accounting for acquisition of intangible assets	
During the current financial year, the Group acquired intangible assets comprising affiliate domains and affiliate contracts amounting to €46.5 million, as disclosed in Note 5 to the financial statements. Accounting for these asset acquisitions involves judgement on the allocation of the assets acquired. Transactions are typically significant on an individual basis. None of the acquisitions undertaken during 2017 entailed a contingent consideration payable according to earnings. Management applies a valuation process in allocating the consideration paid to the asset components acquired, which are usually affiliate domains and affiliate contracts. The value of the affiliate contracts is determined with reference to traffic generated by players existing at point of acquisition, and the value attributed to the domains is the residual.	We assessed the appropriateness of the process applied to identify assets acquired, and the liabilities assumed at acquisition date, by reviewing the respective acquisition agreements. In respect of the allocation of the value of the acquired intangible assets, our procedures, which were carried out with the assistance of our valuation specialists, included discussions with management on the process undertaken to identify the underlying intangible assets, an evaluation of the suitability and appropriateness of the valuation approach and methodology applied, as well as re-performance of the underlying calculations. Our discussions with management in respect of this key audit matter focused on the judgement applied in the assets' valuation process and the methodologies applied. The appropriateness of disclosures made in relation to intangible assets acquired was also reviewed.

Independent auditor's report - continued

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

Key audit matter	How our audit addressed the Key audit matter
Furthermore, in September, the Group acquired a subsidiary, Rebel Penguin for a consideration of €12.7m, which management determined to be an acquisition of a business. Further information is disclosed in Note 28.1 (a). Accounting for the acquisition required judgement in assessing the fair valuation of the assets acquired, primarily representing the technology platform at €5.7m. We focused on this matter since the identification and valuation of intangible assets can be a particularly subjective process. Any difference to the assumptions could cause a material misstatement.	Our procedures did not identify any significant differences outside a reasonable range for the values recognised in the financial statements. We also considered the appropriateness of the related disclosures to the financial statements.

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

How we tailored our Group audit scope

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

We performed audit procedures on the significant components, which are primarily based in Malta, and subject to statutory local audit requirements. Certain foreign components deemed to be significant were subject to audit procedures through a risk-based approach. We issued specified instructions to the component auditor of Rebel Penguin, a subsidiary that was acquired towards the end of September 2017, and considered the outcome of the work.

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

Independent auditor's report - continued

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

Other information

The director is responsible for the other information. The other information comprises the director's report.

Our opinion on the financial statements does not cover the other information, including the director's 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 director's report, we also considered whether the director's 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 director's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the director's 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 director's report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of the director for the financial statements

The director is 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 director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the director is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the director either intend to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Independent auditor's report - *continued*

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

Independent auditor's report - continued

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

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

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

Report on other legal and regulatory requirements

Other matters on which we are required to report by exception

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

- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.
- We have not received all the information and explanations we require for our audit.
- Certain disclosures of director's 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 April 2018

Statements of financial position

		Group		Company	
		As at 31 December			
	Notes	**2017**	2016	**2017**	2016
		€	€	**€**	€
ASSETS					
Non-current assets					
Intangible assets	5	**139,288,686**	82,969,776	**79,099**	-
Property, plant and equipment	6	**3,367,923**	929,233	**-**	-
Investments in subsidiaries	7	**-**	-	**92,556,250**	88,976,592
Investment in associate	8	**204,282**	-	**204,282**	-
Deferred income tax assets	19	**615,600**	512,841	**-**	-
Available-for-sale financial assets	9	**1,866,750**	586,167	**1,866,750**	586,167
Derivative financial instruments	10	**205,714**	205,714	**-**	-
Total non-current assets		**145,548,955**	85,203,731	**94,706,381**	89,562,759
Current assets					
Trade and other receivables	11	**27,489,559**	13,388,650	**62,845,456**	2,597,041
Cash at bank and other intermediaries	12	**11,738,253**	5,813,010	**309,423**	1,641
Total current assets		**39,227,812**	19,201,660	**63,154,879**	2,598,682
Total assets		**184,776,767**	104,405,391	**157,861,260**	92,161,441

Statements of financial position - continued

		Group		Company	
		As at 31 December			
	Notes	**2017**	2016	**2017**	2016
		€	€	**€**	€
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	13	**50,000**	2,628	**50,000**	2,628
Share premium	13	**2,304,345**	2,304,345	**2,304,345**	2,304,345
Capital reserves	15	**9,829,545**	4,584,459	**7,014,167**	3,435,641
Other reserves	16	**(12,550,865)**	(13,304,893)	**729,461**	(102,918)
Retained earnings		**2,162,813**	178,600	**2,873,796**	1,482,162
		1,795,838	(6,234,861)	**12,971,769**	7,121,858
Non-controlling interests		**23,471**	5,957	**-**	-
Total equity		**1,819,309**	(6,228,904)	**12,971,769**	7,121,858
Liabilities					
Non-current liabilities					
Borrowings	18	**66,465,902**	-	**66,465,902**	-
Deferred income tax liabilities	19	**828,612**	157,021	**448,204**	-
Total non-current liabilities		**67,294,514**	**157,021**	**66,914,106**	**-**
Current liabilities					
Trade and other payables	17	**27,213,250**	14,550,917	**4,042,360**	41,808
Current income tax liabilities		**1,126,759**	736,917	**40,316**	-
Borrowings	18	**87,322,935**	95,189,440	**73,892,709**	84,997,775
Total current liabilities		**115,662,944**	110,477,274	**77,975,385**	85,039,583
Total liabilities		**182,957,458**	110,634,295	**144,889,491**	85,039,583
Total equity and liabilities		**184,776,767**	104,405,391	**157,861,260**	92,161,441

The notes on pages 24 to 78 are an integral part of these financial statements.

The financial statements on pages 15 to 78 were authorised for issue on 27 April 2018 and were signed by:

Robin Eirik Reed
Director

Income statements

		Group		Company	
		Year ended 31 December			
	Notes	**2017**	2016	**2017**	2016
		€	€	**€**	€
Net revenue	20	**120,969,393**	51,766,850	**-**	-
Operating expenses					
Personnel expenses	21	**(22,815,335)**	(10,383,964)	**-**	-
Depreciation and amortisation	5, 6	**(10,861,342)**	(2,962,528)	**(4,403)**	-
Marketing, including commission		**(46,954,909)**	(18,861,834)	**(4)**	-
Other operating expenses	20	**(35,626,649)**	(16,252,354)	**(274,886)**	(137,810)
Total operating expenses		**(116,258,235)**	(48,460,680)	**(279,293)**	(137,810)
Other (losses)/gains - net	22	**(150,269)**	(64,773)	**-**	961
Share of net profit of associate accounted for using the equity method	8	**4,282**	-	**4,282**	-
Operating profit/(loss)		**4,565,171**	3,241,397	**(275,011)**	(136,849)
Finance income	23	**1,586,227**	1,961	**4,815,915**	-
Finance costs	24	**(3,153,261)**	(1,053,202)	**(3,149,270)**	-
Profit/(loss) before tax		**2,998,137**	2,190,156	**1,391,634**	(136,849)
Tax expense	25	**(972,503)**	(363,842)	**-**	-
Profit/(loss) for the year		**2,025,634**	1,826,314	**1,391,634**	(136,849)
Attributable to:					
Owners of the company		**2,008,120**	1,939,578	**1,391,634**	(136,849)
Non-controlling interests		**17,514**	(113,264)	**-**	-
		2,025,634	1,826,314	**1,391,634**	(136,849)

The notes on pages 24 to 78 are an integral part of these financial statements.

Statements of comprehensive income

		Group		Company	
		Year ended 31 December			
	Note	**2017**	2016	**2017**	2016
		€	€	**€**	€
Profit/(loss) for the year		**2,025,634**	1,826,314	**1,391,634**	(136,849)
Other comprehensive income					
Items that may subsequently be reclassified to profit or loss					
Changes in fair value of available-for-sale financial assets, net of deferred tax	16	**1,280,583**	(69,459)	**832,379**	(69,459)
Currency translation differences	16	**(550,462)**	178,789	**-**	-
Total other comprehensive income for the year, net of deferred tax		**730,121**	109,330	**832,379**	(69,459)
Total comprehensive income for the year		**2,755,755**	1,935,644	**2,224,013**	(206,308)
Total comprehensive income attributable to:					
Owners of the company		**2,738,241**	2,048,908	**2,224,013**	(206,308)
Non-controlling interests		**17,514**	(113,264)	**-**	-
		2,755,755	1,935,644	**2,224,013**	(206,308)

The notes on pages 24 to 78 are an integral part of these financial statements.

Statements of changes in equity

Group

	Note	Share capital €	Share premium €	Capital reserves €	Other reserves €	Retained earnings €	Total €	Non-controlling interest €	Total equity €
		Attributable to owners of the company							
Balance at 1 January 2016		2,628	2,304,345	3,910,154	1,283,858	(1,737,715)	5,763,270	(102,156)	5,661,114
Comprehensive income									
Profit for the year		-	-	-	-	1,939,578	1,939,578	(113,264)	1,826,314
Other comprehensive income:									
Changes in value of available-for-sale financial assets	16	-	-	-	(69,459)	-	(69,459)	-	(69,459)
Currency translation differences	16	-	-	-	178,789	-	178,789	-	178,789
Total other comprehensive income for the year, net of tax		-	-	-	109,330	-	109,330	-	109,330
Total comprehensive income for the year		-	-	-	109,330	1,939,578	2,048,908	(113,264)	1,935,644

Statements of changes in equity – continued

Group

	Notes	Share capital €	Share premium €	Capital reserves €	Other reserves €	Retained earnings €	Total €	Non-controlling interest €	Total equity €
		Attributable to owners of the company							
Transactions with owners									
Value of employee services	15	-	-	582,948	-	-	582,948	-	582,948
Value of shares granted for the acquisition of intangible assets	15	-	-	91,357	-	-	91,357	-	91,357
Total contributions by owners of the parent recognised directly in equity		-	-	674,305	-	-	674,305	-	674,305
Acquisition of non-controlling interest in iGamingcloud Limited	28	-	-	-	(14,721,344)	-	(14,721,344)	221,377	(14,499,967)
Other	16	-	-	-	23,263	(23,263)	-	-	-
Total changes in ownership interests in subsidiaries that do not result in a loss of control		-	-	-	(14,698,081)	(23,263)	(14,721,344)	221,377	(14,499,967)
Total transactions with owners, recognised directly in equity		-	-	674,305	(14,698,081)	(23,263)	(14,047,039)	221,377	(13,825,662)
Balance at 31 December 2016		2,628	2,304,345	4,584,459	(13,304,893)	178,600	(6,234,861)	5,957	(6,228,904)

Statements of changes in equity – continued

Group

	Notes	Share capital €	Share premium €	Capital reserves €	Other reserves €	Retained earnings €	Total €	Non-controlling interest €	Total equity €
		Attributable to owners of the company							
Balance at 1 January 2017		2,628	2,304,345	4,584,459	(13,304,893)	178,600	(6,234,861)	5,957	(6,228,904)
Comprehensive income									
Profit for the year		-	-	-	-	2,008,120	2,008,120	17,514	2,025,634
Other comprehensive income									
Changes in value of available-for-sale financial assets	16	-	-	-	1,280,583	-	1,280,583	-	1,280,583
Currency translation differences	16	-	-	-	(550,462)		(550,462)	-	(550,462)
Total other comprehensive income for the year, net of tax		-	-	-	730,121	-	730,121	-	730,121
Total comprehensive income for the year		-	-	-	730,121	2,008,120	2,738,241	17,514	2,755,755
Transactions with owners									
Increase in share capital	13	47,372	-	-	-	-	47,372	-	47,372
Value of employee services	15	-	-	1,666,560	-	-	1,666,560	-	1,666,560
Value of shares granted for the acquisition of intangible assets	15	-	-	3,578,526	-	-	3,578,526	-	3,578,526
Other	16	-	-	-	23,907	(23,907)	-	-	-
Total transactions with owners, recognised directly in equity		47,372	-	5,245,086	23,907	(23,907)	5,292,458	-	5,292,458
Balance at 31 December 2017		**50,000**	**2,304,345**	**9,829,545**	**(12,550,865)**	**2,162,813**	**1,795,838**	**23,471**	**1,819,309**

Statements of changes in equity – continued

Company	Notes	Share capital €	Share premium €	Capital reserves €	Other reserves €	Retained earnings €	Total €
Balance at 1 January 2016		2,628	2,304,345	3,435,641	(33,459)	1,619,011	7,328,166
Comprehensive income							
Loss for the year		-	-	-	-	(136,849)	(136,849)
Other comprehensive income:							
Changes in value of available-for-sale financial assets	16	-	-	-	(69,459)	-	(69,459)
Total comprehensive income for the year		-	-	-	(69,459)	(136,849)	(206,308)
Balance at 31 December 2016		2,628	2,304,345	3,435,641	(102,918)	1,482,162	7,121,858
Comprehensive income							
Profit for the year		-	-	-	-	1,391,634	1,391,634
Other comprehensive income:							
Changes in value of available-for-sale financial assets, net of deferred taxation	16	-	-	-	832,379	-	832,379
Total comprehensive income for the year		-	-	-	832,379	1,391,634	2,224,013
Transactions with owners							
Increase in share capital	13	47,372	-	-	-	-	47,372
Value of shares granted for the acquisition of intangible assets	15	-	-	3,578,526	-	-	3,578,526
Total transactions with owners, recognised directly in equity		47,372	-	3,578,526	-	-	3,625,898
Balance at 31 December 2017		**50,000**	**2,304,345**	**7,014,167**	**729,461**	**2,873,796**	**12,971,769**

The notes on pages 24 to 78 are an integral part of these financial statements.

Statements of cash flows

		Group		Company	
		Year ended 31 December			
	Notes	**2017**	2016	**2017**	2016
		€	€	**€**	€
Cash flows from operating activities					
Cash generated from operations	27	**13,748,396**	573,231	**2,080,718**	43,687
Interest received		**6,237**	1,961	**-**	-
Interest paid		**(1,478,793)**	-	**(1,474,793)**	-
Tax (paid)/refunded		**(202,413)**	15,780	**40,317**	(2,794)
Net cash generated from operating activities		**12,073,427**	590,972	**646,242**	40,893
Cash flows from investing activities					
Payments for intangible assets	5	**(54,478,589)**	(1,195,965)	**(79,099)**	-
Purchases of property, plant and equipment	6	**(3,104,667)**	(456,715)	**-**	-
Purchases of derivative financial instruments	10	**-**	(205,714)	**-**	-
Acquisition of associates	8	**(200,000)**	-	**(200,000)**	-
Acquisition of subsidiaries	7, 28	**(9,119,996)**	1,454,670	**(1,132)**	(39,759)
Advances to related parties		**-**	-	**(55,956,871)**	-
Net cash used in investing activities		**(66,903,252)**	(403,724)	**(56,237,102)**	(39,759)
Cash flows from financing activities					
Proceeds from the issuance of ordinary shares	13	**47,372**	-	**47,372**	-
Net proceeds from the issuance of bonds	18	**66,956,337**	-	**66,956,337**	-
Repayments of related party borrowings	18	**(7,866,505)**	-	**(11,105,067)**	-
Net cash generated from financing activities		**59,137,204**	-	**55,898,642**	-
Net movement in cash and cash equivalents		**4,307,379**	187,248	**307,782**	1,134
Cash and cash equivalents at beginning of year		**1,197,597**	1,010,349	**1,641**	507
Cash and cash equivalents at end of year	12	**5,504,976**	1,197,597	**309,423**	1,641

The notes on pages 24 to 78 are an integral part of these financial statements.

Notes to the financial statements

1. Summary of significant accounting policies

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

1.1 Basis of preparation

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

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

Going concern

As at 31 December 2017, the Group's current liabilities exceeded its current assets by €79,287,353, (2016: €93,498,310), after adjusting for prepayments, whilst the Company's current liabilities exceed its current assets by €14,823,675 (2016: €82,440,901). The financial statements have been prepared on a going concern basis, which assumes the continued support of the Group's parent company to settle the Group's obligations as and when they fall due, and that it will not request amounts due to it of € 87,322,935 (2016: €95,189,440) by the Group and of € 73,892,709 (2016: € 84,997,775) due by the Company, unless alternative funds are made available to the Group and the Company. As at 31 December 2017, the parent company also undertook to guarantee amounts due by a related party, which amounted to €3,149,316 (2016: €1,071,042). In making this assessment, the director has taken cognisance of the Group parent company's financial condition, the Group's prospects for growth, including the anticipated performance of acquisitions made in 2017 which are expected to give rise to increased revenue streams in 2018. The director is confident that the financial position of the GIG Inc. Group will improve in the foreseeable future, and that the going concern basis of preparation of these financial statements remains appropriate.

Standards, interpretations and amendments to published standards effective in 2017

In 2017, the Group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 January 2017. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Group's accounting policies.

The amendments to IAS 7, 'Statement of cash flows' require disclosure of changes in liabilities arising from financing activities (see Note 27).

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the Group's accounting periods beginning after 1 January 2017. The Group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Group's director is of the opinion that, with the exception of the below, there are no requirements that will have a possible significant impact on the Group's financial statements in the period of initial application.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018. The Group is assessing the impact of IFRS 15.

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 with the irrevocable option at inception to present changes in fair value in OCI not recycling. 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 Group is considering the implications of the standard and its impact on the company's financial results and position.

The Company will be impacted by IFRS 16 in cases where group undertakings are lessees. In view of the changes in the definition of the lease term and the different treatments of variable lease payments and of extension and termination options, the Directors are still to establish the estimated amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of IFRS 16. The standard is effective for annual periods beginning as from 1 January 2019 and at this stage the Group does not intend to adopt the standard before its effective date.

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

1.2 Consolidation

(a) Subsidiaries

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

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

1. Summary of significant accounting policies - continued

1.2 Consolidation - continued

(a) Subsidiaries - continued

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

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

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

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

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

(b) Transactions with non-controlling interests

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

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

1. Summary of significant accounting policies - continued

1.3 Segment information

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

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

1.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

(c) Group companies

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

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

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

1. Summary of significant accounting policies - continued

1.5 Intangible assets

(a) Goodwill

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

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

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

(b) Domains

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

(c) Affiliate contracts

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

(d) Computer software and technology platforms

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

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

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

1. Summary of significant accounting policies - continued

1.5 Intangible assets - continued

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

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1.7).

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

1.7 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. Summary of significant accounting policies - continued

1.8 Financial assets

1.8.1 Classification

The Group classifies its financial assets as loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Derivatives are also classified as fair value through profit or loss. Assets in this category are classified as current assets if expected to be settled within twelve months; otherwise, they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money or services directly to a debtor with no intention of trading the asset. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the statement of financial position (Notes 1.9 and 1.10).

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified as part of loans and receivables. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as available-for-sale assets. They are included in non-current assets unless the asset matures or management intends to dispose of it within twelve months from the end of the reporting period.

1.8.2 Recognition and measurement

The Group recognises a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss.

Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method. Amortised cost is the initial measurement amount adjusted for the amortisation of any differences between the initial and maturity amounts using the effective interest method.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership or has not retained control of the financial asset.

Translation differences on non-monetary securities denominated in a foreign currency are recognised in other comprehensive income. Other changes in the fair value of non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

1. Summary of significant accounting policies - continued

1.8 Financial assets - continued

1.8.2 Recognition and measurement - continued

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in profit or loss.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analyses, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group 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 Group first assesses whether objective evidence of impairment exists. The criteria that the Group 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 assets in the group.

1.8.3 Impairment

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment loss. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

(a) Assets carried at amortised cost

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. Impairment testing of trade receivables is described in Note 1.8.

1. Summary of significant accounting policies - continued

1.8.3 Impairment - continued

(b) Assets classified as available-for-sale

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If objective evidence of impairment exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is reclassified from equity to profit or loss as a reclassification adjustment. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

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 1.8.3). 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.

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

1.11 Share capital

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

1.12 Financial liabilities

The Group recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The Group's financial liabilities are classified as financial liabilities which are not at fair value through profit or loss (classified as 'Other liabilities') under IAS 39. Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost. The Group derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

1. Summary of significant accounting policies - continued

1.13 Trade and other payables

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

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

1.14 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 Group 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.

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

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

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

1. Summary of significant accounting policies - continued

1.17 Share-based payments

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

(a) Equity-settled share-based payments

For equity-settled share-based payments, the total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to hold shares for a specific period of time).

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

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

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

(b) Cash-settled share-based payments

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

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

1. Summary of significant accounting policies - continued

1.18 Revenue recognition

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

GIG Gaming

Gaming transactions that are not deemed to be financial instruments, where the Group revenues stem from commissions, are recorded in accordance with IAS 18 'Revenue'. The revenue recognised in this manner relates to Poker.

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

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

GIG Core

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

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

In contracting with own license operators, the Group generates revenue by entering into a revenue share deal or a fixed deal where such revenue is apportioned on an accrual basis over the whole term of the contract.

GIG Media

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

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

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

Other

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

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

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

2. Segment information

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

2. Segment information - continued

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

2. Segment information - continued

2016	B2C	B2B	Eliminations	Group
	€	€	€	€
Net revenue	**41,168,335**	**14,804,086**	**(4,205,571)**	**51,766,850**
Operating expenses				
Personnel expenses	(5,979,937)	(4,404,027)	-	(10,383,964)
Depreciation and amortisation	(478,786)	(2,483,742)		(2,962,528)
Marketing, including commission	(19,531,037)	(549,416)	1,218,619	(18,861,834)
Platform and service provider fees	(9,547,312)	-	1,374,255	(8,173,057)
Other operating expenses	(6,271,455)	(3,420,539)	1,612,697	(8,079,297)
Total operating expenses	**(41,808,527)**	**(10,857,724)**	**4,205,571**	**(48,460,680)**
Other (losses)/gains - net	-	(64,773)	-	(64,773)
Operating (loss) / profit	**(640,192)**	**3,881,589**	**-**	**3,241,397**
Finance income				1,961
Finance costs				(1,053,202)
Profit/(loss) before tax				**2,190,156**
Tax expense				(363,842)
Profit/(loss) for the year				**1,826,314**

2. Segment information - continued

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

	Group	
	2017	2016
	€	€
B2C		
Casino	**83,035,969**	40,300,277
Sports	**1,706,779**	707,540
Poker	**591,816**	160,518
	85,334,564	41,168,335
B2B		
Performance marketing	**17,925,560**	7,046,414
Platform services	**15,703,719**	3,552,101
Other revenue	**2,005,550**	-
	35,634,829	10,598,515
Net revenue	**120,969,393**	51,766,850

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

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

Year ended 31 December 2016	B2C	B2B	Total
	€	€	€
Revenue			
Nordic countries	22,204,094	-	22,204,094
Europe excluding Nordic countries	9,366,013	9,362,949	18,728,962
Rest of world	9,598,228	1,235,566	10,833,794
Total	41,168,335	10,598,515	51,766,850

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

3. Financial risk management

3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

The table below summarises the Group and the Company's exposure to foreign currencies, other than the functional currency, as at 31 December 2017 and 2016.

Group	Assets	Liabilities	Net exposure
	€	€	€
As at 31 December 2017			
SEK to EUR	2,193,349	(66,980,488)	(64,787,139)
GBP to EUR	2,264,573	(826,314)	1,438,259
NZD to EUR	1,746,415	(35,857)	1,710,558
CAD to EUR	876,938	(55,147)	821,791
USD to EUR	624,212	(67,397)	556,815
NOK to EUR	631,980	(437,730)	194,250
AUD to EUR	-	(204,746)	(204,746)
Other currencies	309,276	(756)	308,520
	8,646,743	**(68,608,435)**	**(59,961,692)**

	Assets	Liabilities	Net exposure
	€	€	€
As at 31 December 2016			
AUD to EUR	1,830,534	(16,214)	1,814,320
SEK to EUR	1,277,075	-	1,277,075
GBP to EUR	1,767,920	(66,211)	1,701,709
CAD to EUR	397,784	(14,723)	383,061
USD to EUR	332,963	(2,180)	330,783
NOK to EUR	313,450	(3)	313,447
Other currencies	418,653	(2,771)	415,882
	6,338,379	**(102,102)**	**6,236,277**

3. Financial risk management - continued

3.1 Financial risk factors - continued

(a) Market risk - continued

(i) Foreign exchange risk - continued

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

The Company did not have any exposure to foreign currency as at 31 December 2016.

A sensitivity analysis for foreign exchange risk disclosing how profit or loss and equity would have been effected by changes in foreign exchange rates that were reasonably possible at the end of the period was deemed necessary for liabilities denominated in SEK. At the period end, had the SEK exchange rate strengthened or weakend against the euro by 3% with other variables held constant, the increase or decrease respectively in net assets of the Company would amount to approximately €1,950,888.

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

(ii) Price risk

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

The Group is exposed to market risk due to the possibility of an unfavourable outcome on events on which the Group has accepted bets. The Group has adopted risk management policies to mitigate this risk. Management monitors the odds real time to determine the appropriate risk levels for certain events and where possible reacts to large risks by, inter-alia, not accepting bets that exceed the maximum risk limit on an individual bet or by closing the event that was offered as a bet. The risk is spread across a large number of events and sports. The Group's exposure to open bets was not significant as at 31 December 2017 and 2016 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.

Although the Group is also exposed to the possible effect which movements in equity markets may have on the value of the available-for-sale financial asset, the director considers this risk to be immaterial.

3. Financial risk management - continued

3.1 Financial risk factors - continued

(a) Market risk - continued

(iii) Fair value interest rate risk

The Group's and the parent company's significant instruments which are subject to fixed interest rates comprise the bonds issued (Note 18). In this respect, the Group and the company are potentially exposed to fair value interest rate risk in view of the fixed interest nature of these instruments, which are however measured at amortised cost.

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

(b) Credit risk

Credit risk arises from cash and cash equivalents and trade and other receivables as follows:

	Group		**Company**	
	2017	2016	**2017**	2016
	€	€	**€**	€
Loans and receivables:				
Trade and other receivables (Note 11)	**13,416,281**	3,882,777	**62,842,287**	2,597,041
Amounts due from payment providers (Note 11)	**11,221,057**	7,283,177	**-**	-
Cash at bank and other intermediaries (Note 12)	**11,738,253**	5,813,010	**309,423**	1,641
Exposure	**36,375,591**	16,978,964	**63,151,710**	2,598,682

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

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

The Group seeks to manage credit risk by only undertaking transactions with counterparties which include financial institutions or intermediaries and payment providers with quality standing. Control structures are in place to assess credit risk on similar lines. The following table provides information regarding the aggregated credit risk exposure, for deposits with bank and financial institutions or intermediaries with external credit ratings as at 31 December 2017 and 2016.

3. Financial risk management - continued

3.1 Financial risk factors - continued

(b) Credit risk - continued

	Group		Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
Loans and receivables:				
AA	**-**	571,848	**-**	(53)
AA-	**448**	-	**(54)**	-
A+	**22,252**	-	**-**	-
A	**-**	13,860	**-**	-
A-	**267,922**	-	**1,653**	-
BBB+	**2,568,627**	-	**307,824**	-
BBB	**-**	2,882,793	**-**	1,694
BB	**1,952,034**	1,259,096	**-**	-
Below BB or not rated	**6,926,970**	1,085,413	**-**	-
	11,738,253	5,813,010	**309,423**	1,641

The Group does not consider that there was any material credit risk from these parties after considering historical payment patterns where relevant.

Other than trade receivables for which provisions for impairment of €112,149 (2016: €59,231) have been recorded, the Group did not hold any material past due but not impaired financial assets as at 31 December 2017 and 2016. The Group manages credit limits and exposures actively in a practicable manner such that past due amounts receivable from customers and partners are within controlled parameters. The Group's receivables, which are not impaired financial assets, are principally debts in respect of transactions with partners for whom there is no recent history of default. Management does not expect any losses from non-performance by these partners.

The Company did not hold any material past due or impaired assets as at 31 December 2017 and 2016. The Company's receivables mainly comprise amounts due from related parties. The Company considers credit risk in relation to amounts due from related parties to be limited.

(c) Liquidity risk

The Group and the Company are exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally trade and other payables and borrowings (refer to Notes 17 and 18). Prudent liquidity risk management includes maintaining sufficient cash to ensure the availability of an adequate amount of funding to meet the Group and Company's obligations.

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

3. Financial risk management - continued

3.1 Financial risk factors - continued

(c) Liquidity risk - continued

As disclosed in Note 1.1, as at 31 December 2017, the Group's current liabilities exceeded its current assets by €79,287,353 (2016: €93,498,310), after adjusting for prepayments whilst the Company's current liabilities exceed its current assets by €14,823,675 (2016: €82,440,901). The financial statements have been prepared on a going concern basis which assumes the continued support of the Group's parent company to settle the Group's obligations as and when they fall due, and that it will not request amounts due to it unless alternative funds are made available to the Group.

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

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

With respect to the maturity of the Group's and the Company's other financial liabilities as at 31 December 2016, which consist only of trade and other payables, the director discloses that these are entirely repayable within one year from the end of the respective reporting period.

3.2 Capital risk management

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

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

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

In assessing the adequacy of the Group's capital, the director gives due consideration to the undertaking by the Group parent company that it will not request amounts due until funds are available as described above.

3. Financial risk management - continued

3.3 Fair values of financial instruments

Financial instruments carried at fair value

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

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

Group	**Level 3**
	€
At 31 December 2017	
Assets	
Financial assets at fair value through profit or loss:	
Derivative instruments	
- purchased call option (Note 10)	205,714
Available-for-sale financial investment:	
Equity securities	
- unlisted equities (Note 9)	1,866,750
Total financial assets	2,072,464
At 31 December 2016	
Assets	
Financial assets at fair value through profit or loss:	
Derivative instruments	
- purchased call option (Note 10)	205,714
Available-for-sale financial investment:	
Equity securities	
- unlisted equities (Note 9)	586,167
Total financial assets	791,881

Company	**Level 3**
	€
At 31 December 2017	
Assets	
Available-for-sale financial investment:	
Equity securities	
- unlisted equities (Note 9)	**1,866,750**
At 31 December 2016	
Assets	
Available-for-sale financial investment:	
Equity securities	
- unlisted equities (Note 9)	586,167

3. Financial risk management - continued

3.3 Fair values of financial instruments - continued

Financial instruments carried at fair value - continued

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. The Group's and Company's available-for-sale financial investment, included in level 3 comprises a private equity investment, disclosed in Note 9 of these financial statements, which also includes a reconciliation from opening to closing value of the instrument.

Level 3 valuations are reviewed regularly by the director. The Group's derivative financial instrument, comprising an option to purchase intangible assets, is also included in level 3, and is disclosed in Note 10. Further details on how the fair value of these instruments was calculated are disclosed in the respective Notes to these financial statements.

There were no transfers between levels of the fair value hierarchy during 2017 and 2016.

Financial instruments not carried at fair value

At 31 December 2017 and 2016 the carrying amounts of cash at bank, receivables, payables, and borrowings from parent company reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation. The bond is held at amortised cost and the fair value is disclosed in Note 18.

4. Critical accounting estimates, judgements and errors

(a) Significant estimates and judgements

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

The Group and the Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, other than the uncertainty associated with the legal environment that the Group operates in (disclosed in Note 32), are addressed below.

Group and Company

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

During 2015, the Group, through the Company, acquired an available-for-sale financial asset for a consideration of €689,085. During 2017, the asset has been revalued based on a recent transaction which took place during the year between the company in which the Group holds its investment and third parties. Further information is included in Note 9 to the financial statements.

(ii) Impairment test of goodwill

The Group tests whether goodwill and other intangible assets with indefinite lives have suffered any impairment on an annual basis. The recoverable amount of a CGU is determined based on value-in-use calculations which are based on management assumptions. As disclosed in Note 5, the calculations are based on cash flow projections reflecting the financial budget approved by the Group's Board for 2018, the projection of free cash flows to be generated in 2019, 2020 and 2021 as well as an estimate of residual value. The residual value is based on the projected free cash flows to be generated in 2021. Free cash flows are capitalised based on the post-tax discount rate applied in the value-in-use calculation, net of the assumed growth rate. The growth rate is assumed at 2% based on the estimated long term inflation rate.

4. Critical accounting estimates, judgements and errors - continued

(a) Significant estimates and judgements - continued

(ii) Impairment test of goodwill - continued

The assumptions used in the value-in-use calculations may vary and are inherently uncertain particularly for a fast growing group which is in its early years of development. The directors consider that the impairment assessment for the business-to-business segment is less sensitive due to the level of headroom between the reported intangible assets of this CGU and the respective value-in-use.

A sensitivity analysis showing the impact of possible changes in key assumptions for the business-to-customer CGU is disclosed below.

Business-to-Customer CGU

2017 was a loss-making year for the business-to-customer CGU primarily due to higher marketing in new markets. Management expects that such markets will become profitable in the coming year. Management has identified a number of initiatives for 2018 to maximise the potential of GIG's products, to increase the life-time value of GIG's customers, streamlining marketing investment towards higher profitable channels and maximising the launch of a new brand 'Highroller.com'. On this basis, management considers that this CGU is not impaired.

A sensitivity analysis shows that the Group would need to recognise an impairment if the EBITDA projections used in the value-in-use calculation are 60% lower than management's estimates as at the end of this reporting period.

(iii) Valuation of share options

As explained in Note 14, the Company's parent operates equity-settled and cash-settled share-based compensation plans under which the Group receives services from employees as consideration for equity instruments of GIG Inc. In order to determine the fair value of services provided, the Group estimates the fair value of the ordinary shares as of each grant date using the Black-Scholes valuation model. Refer to Note 14 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.

5. Intangible assets

Group

	Note	Goodwill	Trademarks	Domains	Affiliate contracts	Technology platform	Computer software	Non-compete agreement	Other	Total
		€	€	€	€	€	€	€	€	€
Cost										
As at 1 January 2016		3,279	-	3,862,835	1,563,592	296,459	464,059	-	-	6,190,224
Acquisition of subsidiaries	28	48,012,473	-	17,623,590	1,488,518	2,396,050	-	258,500	-	69,779,131
Additions		-	-	7,665,253	1,322,470	825,109	295,673	-	213,703	10,322,208
Currency translation differences		251,061	-	(107,472)	-	82,303	-	-	-	225,892
As at 31 December 2016		48,266,813	-	29,044,206	4,374,580	3,599,921	759,732	258,500	213,703	86,517,455
As at 1 January 2017		48,266,813	-	29,044,206	4,374,580	3,599,921	759,732	258,500	213,703	86,517,455
Acquisition of subsidiaries	28	5,581,434	-	899,175	267,736	5,665,352	-	-	192,056	12,605,753
Additions		-	850,288	36,410,341	10,370,365	5,107,677	832,696	200,000	-	53,771,367
Other		423,456	-	-	-	-	-	-	-	423,456
Currency translation differences		(515,925)	-	189,046	68,537	(148,610)	-	-	-	(406,952)
As at 31 December 2017		**53,755,778**	**850,288**	**66,542,768**	**15,081,218**	**14,224,340**	**1,592,428**	**458,500**	**405,759**	**152,911,079**
Accumulated depreciation										
As at 1 January 2016		-	-	277,551	299,930	150,146	122,160	-	-	849,787
Depreciation charge		-	-	1,122,620	929,807	361,678	165,358	47,000	71,429	2,697,892
As at 31 December 2016		-	-	1,400,171	1,229,737	511,824	287,518	47,000	71,429	3,547,679
As at 1 January 2017		-	-	1,400,171	1,229,737	511,824	287,518	47,000	71,429	3,547,679
Depreciation charge		-	-	3,915,317	3,195,259	2,426,411	290,070	141,000	106,657	10,074,714
As at 31 December 2017		**-**	**-**	**5,315,488**	**4,424,996**	**2,938,235**	**577,588**	**188,000**	**178,086**	**13,622,393**
Carrying amount										
As at 1 January 2016		3,279	-	3,585,284	1,263,662	146,313	341,899	-	-	5,340,437
As at 31 December 2016		48,266,813	-	27,644,035	3,144,843	3,088,097	472,214	211,500	142,274	82,969,776
As at 31 December 2017		**53,755,778**	**850,288**	**61,227,280**	**10,656,222**	**11,286,105**	**1,014,840**	**270,500**	**227,673**	**139,288,686**

During 2017, goodwill has increased by €423,658 to reflect pre-acquisition gaming taxes due in relation to Pronzo Entertainment B.V.

5. Intangible assets - continued

Company	**Technology platform €**	**Computer software €**	**Total €**
Cost			
As at 1 January 2017	-	-	-
Additions	74,982	8,520	83,502
As at 31 December 2017	**74,982**	**8,520**	**83,502**
Accumulated depreciation			
As at 1 January 2017	-	-	-
Depreciation charge	4,166	237	4,403
As at 31 December 2017	**4,166**	**237**	**4,403**
Net book value			
As at 31 December 2017	**70,816**	**8,283**	**79,099**

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

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

Affiliate network assets amounting to EUR 11.5 million in cash were purchased from Progrand Media Limited on 9 March 2017, with revenue streams crystallising in April upon completion of the due diligence exercise.

On 21 April 2017, sportsbook assets amounting to EUR 5.7 million in cash were purchased. This acquisition targeted the DACH region (Germany, Austria and Switzerland), strengthening the Company's geographical footprint further. Recognition of revenue stream commenced in June.

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

Rebel Penguin ApS, a company incorporated in Denmark was fully acquired and is considered to be a fully-owned subsidiary from 26 September 2017, which is the completion date. The acquisition comprised both a cash consideration and the issue of GIG Inc shares. Additional information is available in Note 28.

As at end of 2017, the Group had assets not yet in use comprising of €755,000 relating to source code purchased to be used in the development of games as well as capitalised expenses amounting to €842,978 in relation to the sports product line.

During 2016, The Group acquired various assets amounting to €9.2 million which were allocated to domains and affiliate contracts, including an amount of €205,714 which is an option to purchase the remaining 50% of the development domains (Note 10). Such acquisitions comprised both a cash consideration and issues of GIG Inc shares.

5. **Intangible assets** – continued

Impairment test for goodwill and intangible assets with indefinite useful lives

The Group's reported goodwill primarily arises as a result of the acquisition of Rebel Penguin ApS, Betit Holding Limited and OddsModel AS (Note 28). Additionally, the Group has trademarks with indefinite lives which were acquired during 2017.

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

Impairment test for goodwill and indefinite-lived intangible assets for the year ended 31 December 2017

The calculations are based on cash flow projections reflecting the financial budget approved by the Group's Board for 2018, the projection of free cash flows to be generated in 2019, 2020 and 2021, as well as an estimate of residual value. The residual value is based on the projected free cash flows to be generated in 2021 capitalised based on the post-tax discount rate applied in the value-in-use calculation, net of the assumed growth rate. The growth rate is assumed at 2% based on the estimated long term inflation rate.

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

Group	**Cash-generating unit**	
	Business-to-customer	Business-to-business
Carrying amounts:		
Goodwill (€'000)	41,989	11,767
Intangible assets with indefinite lives (€'000)	541	309

The key assumptions on which management has based its impairment test are based on the cash flow projections reflecting actual income from operations in 2017, the budget for 2018 as confirmed by the entity's Board and an estimate for years 2019 – 2021 include:

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

The post-tax discount rate applied to the cash flow projections was 15% for each CGU.

Group management's method for determining the values inherent to each significant assumption is based on experience and expectations regarding the performance of the market. For each CGU, it was determined that the recoverable amount is greater than the carrying amount and consequently, no impairment charge was required for 2017.

5. Intangible assets – continued

Impairment test for goodwill and indefinite-lived intangible assets for the year ended 31 December 2017 - continued

2017 was a loss-making year for the business-to-customer CGU primarily due to higher marketing in new markets. Management expects that such markets will become profitable in the coming year. Management has identified a number of initiatives for 2018 to maximise the potential of GIG's products, to increase the life-time value of GIG's customers, streamlining marketing investment towards higher profitable channels and maximising over the launch of a new brand 'Highroller.com'. On this basis, management considers that this CGU is not impaired.

Impairment test for goodwill and indefinite-lived intangible assets for the year ended 31 December 2016

The calculations are based on cash flow projections reflecting the financial budget approved by the Group's Board for 2017, the projection of free cash flows to be generated in 2018 and 2019, as well as an estimate of residual value. The residual value is based on the projected free cash flows to be generated in 2019 capitalised based on the post-tax discount rate applied in the value-in-use calculation, net of the assumed growth rate. The growth rate is assumed at 2% based on the estimated long term inflation rate

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

Group	**Cash-generating unit**	
	Business-to-customer	Business-to-business
Carrying amounts:		
Goodwill (€'000)	41,565	6,702

The key assumptions on which management has based its impairment test are based on the cash flow projections reflecting actual income from operations in 2016, the budget for 2017 as confirmed by the entity's Board and an estimate for years 2018 – 2019 include:

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

The post-tax discount rate applied to the cash flow projections was 15% for each CGU.

Group management's method for determining the values inherent to each significant assumption is based on experience and expectations regarding the performance of the market. For each CGU, it was determined that the recoverable amount is greater than the carrying amount and consequently, no impairment charge was required for 2016.

6. Property, plant and equipment

Group	Notes	Installations and improvements to leasehold premises	Furniture & fittings	Computer and office equipment	Total
		€	€	€	€
Cost					
As at 1 January 2016		105,191	233,669	290,029	628,889
Acquisition of subsidiaries	28	132,586	64,150	118,172	314,908
Additions		61,432	120,252	275,031	456,715
As at 31 December 2016		299,209	418,071	683,232	1,400,512
As at 1 January 2017		299,209	418,071	683,232	1,400,512
Acquisition of subsidiaries	28	95,827	-	24,824	120,651
Additions		982,563	524,645	1,597,459	3,104,667
As at 31 December 2017		**1,377,599**	**942,716**	**2,305,515**	**4,625,830**
Accumulated depreciation					
As at 1 January 2016		37,812	43,183	125,648	206,643
Depreciation charge		37,579	61,476	165,581	264,636
As at 31 December 2016		75,391	104,659	291,229	471,279
As at 1 January 2017		75,391	104,659	291,229	471,279
Depreciation charge		197,998	162,274	426,356	786,628
As at 31 December 2017		**273,389**	**266,933**	**717,585**	**1,257,907**
Net book value					
As at 1 January 2016		67,379	190,486	164,381	422,246
As at 31 December 2016		223,818	313,412	392,003	929,233
As at 31 December 2017		**1,104,210**	**675,783**	**1,587,930**	**3,367,923**

7. Investments in subsidiaries

	Company	
	2017	2016
	€	€
At 1 January	**88,976,592**	5,958,980
Additions	**3,579,658**	83,017,612
At 31 December	**92,556,250**	88,976,592

	Company	
	2017	2016
	€	€
At 31 December		
Cost and carrying amount	**92,556,250**	88,976,592

7. Investments in subsidiaries – continued

During 2017, Innovation Labs Limited, one of the subsidiaries of the Company acquired 100% of the share capital of Rebel Penguin ApS', a company incorporated in Denmark. As part of the consideration paid, 7,165,000 treasury shares in GIG Inc were transferred at completion date and carried at fair value of €3,578,526. No payment was made by the subsidiary and as a result the investment value in the Company's books was increased by such a value.

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

During 2016, the Company made a number of significant acquisitions. These included the acquisition of 100% of the ordinary share capital of Betit Holdings Limited ('Betit'), the holding company of a group operating in the remote gaming industry. At the date of acquisition, Betit was the sole shareholder of the following principal subsidiaries: Betit Operations Limited, Pronzo Entertainment B.V., Mavrix Technologies SL, Haus of Lenny Limited and Mavrix Activities Limited. Collectively, these are referred to as the 'Betit Group' in these financial statements. Linked to the acquisition of Betit, the Company also re-acquired 10% of the shares in iGamingcloud Limited.

Furthermore, in 2016 the Company acquired 100% of the shares in OddsModel AS, a sports betting technology company.

Details on these acquisitions are explained in Note 28.

In addition to the above acquisitions, in 2016 the Company acquired 20% of the shares in Bettingcloud Limited (formerly, Gaming Exchange Limited) for a consideration of €239, and subscribed fully to an increase in share capital of this company for an amount of €39,759.

7. **Investments in subsidiaries** - continued

The principal subsidiaries at 31 December 2017 and 2016, whose results and financial position affected the figures of the Group, are shown below:

			Percentage of ownership and voting rights held directly by the Company		**Percentage of ownership and voting rights held by the Group**	
Subsidiaries	**Country of incorporation**	**Class of shares held**	**% 2017**	% 2016	**% 2017**	% 2016
NV Securetrade	Curacao	Ordinary shares	**-**	-	**100**	100
iGamingCloud NV	Curacao	Ordinary shares	**-**	-	**100**	100
Innovation Labs Limited	Malta	Ordinary shares	**100**	100	**100**	100
MT Securetrade Limited	Malta	Ordinary shares	**100**	100	**100**	100
iGamingCloud Limited	Malta	Ordinary shares	**100**	100	**100**	100
Bettingcloud Limited	Malta	Ordinary shares	**100**	100	**100**	100
Zecure Gaming Limited	Malta	Ordinary shares	**100**	100	**100**	100
Spaseeba AS	Norway	Ordinary shares	**-**	100	**-**	100
Online Performance Marketing Limited	British Virgin Islands	Ordinary shares	**100**	100	**100**	100
iGamingCloud SLU	Spain	Ordinary shares	**-**	-	**100**	100
iGamingCloud (Gibraltar) Limited	Gibraltar	Ordinary shares	**-**	-	**100**	-
OddsModel AS	Norway	Ordinary shares	**100**	100	**100**	100
Betit Holdings Limited	Malta	Ordinary shares	**100**	100	**100**	100
Betit Operations Limited	Malta	Ordinary shares	**-**	-	**100**	100
Pronzo Entertainment B.V.	Curacao	Ordinary shares	**-**	-	**100**	100
Mavrix Tecnologies SL	Spain	Ordinary shares	**-**	-	**100**	100
Haus of Lenny Limited	Malta	Ordinary shares	**-**	-	**100**	100
Mavrix Activities Limited	Gibraltar	Ordinary shares	**-**	-	**100**	100
Mavrix 5 X 5 Limited	Gibraltar	Ordinary shares	**-**	-	**100**	100
Mavrix Services Limited	Gibraltar	Ordinary shares	**-**	-	**100**	100
Mavrix Promotions Limited	Gibraltar	Ordinary shares	**-**	-	**100**	100
Mavrix Holding Limited	Gibraltar	Ordinary shares	**-**	-	**100**	100
GIG Central Services Limited	Malta	Ordinary shares	**100**	-	**100**	-
Rebel Penguin ApS	Denmark	Ordinary shares	**-**	-	**100**	-
iGamingCloud Inc	United States	Ordinary shares	**-**	-	**100**	-

8. Investment in associate

	Group and Company	
	2017	2016
	€	€
At 1 January	**-**	-
Acquisitions	**200,000**	-
Share of net profit of associate accounted for using the equity method	**4,282**	-
At 31 December	**204,282**	-

On 22 September 2017, the Group, through the Company acquired 20% of the issued share capital of D-Tech International Limited, a Hong Kong based games studio for €200,000.

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

On 2 January 2018, the Company has acquired an additional 16 per cent in D-Tech International Limited for EUR 160,000 thus raising its total shareholding to 36 per cent (Note 31).

9. Available-for-sale financial assets

	Group and Company	
	2017	2016
	€	€
At 1 January	**586,167**	655,626
Fair value movements	**1,280,583**	(69,459)
At 31 December	**1,866,750**	586,167

During 2015, the Company purchased redeemable preference shares in an unlisted equity security. These preference shares, which represent an ownership interest of 10%, are redeemable at the option of GIG p.l.c. In view of management's intention not to redeem the shares, the investment represents, in substance, an equity investment. This investment has been classified as an available-for-sale financial asset.

In addition to the preference shares, the Company was also given the option to acquire a further interest in the same company, up to another 15% ownership in ordinary shares. The additional shares could be acquired during an exercise period starting on 28 November 2016 and ending on 27 May 2017, for a consideration which was contingent on the revenue of the available-for-sale equity instrument during the 12 months preceding the service of the exercise notice. The Company did not acquire the additional shares and the option has expired during 2017.

Valuation of the available-for-sale financial investment

During 2017, the asset has been revalued to €1,866,750 based on a recent transaction which took place during the year between the above mentioned company and third parties. The fair value movements amounting to €1,280,583 were recognised in other comprehensive income.

10. Derivative financial assets

	Group 2017 €	2016 €
Call option to acquire intangible assets		
Non-current		
At 1 January	205,714	-
Fair value at initial recognition	**-**	205,714
At 31 December	**205,714**	205,714

Valuation of call option to acquire intangible assets

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

At initial recognition, the fair value of the acquired option was estimated to amount to €205,714. The fair value of the option represents the difference between the consideration payable as determined by the above-mentioned price mechanism (established in the purchase contact), compared with the price payable if an industry multiple would have been applied to the mechanism determining the consideration payable by the Group. Based on past acquisitions of similar domains, the director believes that a multiple of 4x revenue generated by domains is a fair representation of an industry multiple. A discount rate of 15% was used to calculate present value of the derivative, both at initial recognition, and at year end.

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

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

The Group has not exercised its option to acquire the remaining 50% of the risks and rewards of ‘development domains’ in March 2017. The option will expire in 2018.

11. Trade and other receivables

	Group		Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
Trade receivables - gross	**8,040,228**	1,363,287	**-**	-
Less: provision for impairment of trade receivables	**(112,149)**	(59,231)	**-**	-
Trade receivables	**7,928,079**	1,304,056	**-**	-
Amounts due from payment providers	**11,221,057**	7,283,177	**-**	-
Amounts due from related parties	**3,149,316**	1,071,042	**62,822,642**	2,597,041
Other receivables	**2,262,751**	1,389,593	**19,645**	-
Accrued income	**76,135**	118,086	**-**	-
Prepayments	**2,852,221**	2,222,696	**3,169**	-
	27,489,559	13,388,650	**62,845,456**	2,597,041

Amounts due from related parties are unsecured and repayable on demand. An amount of €55,956,971 (2016: nil) is subject to fixed interest at the rate of 7.29% (2016: nil). All remaining amounts are interest free.

12. Cash and cash equivalents

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

	Group		Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
Cash at bank and other intermediaries	**11,738,253**	5,813,010	**309,423**	1,641
Less: restricted cash	**(6,233,277)**	(4,615,413)	**-**	-
Cash and cash equivalents	**5,504,976**	1,197,597	**309,423**	1,641

Included in the Group's cash at bank are amounts of €6,233,277 (2016: €4,615,413) that are held in a fiduciary capacity and represent customer monies, whose use is restricted in terms of the Remote Gaming Regulations, 2004.

13. Share capital and premium

Group and Company	**Number of ordinary shares**	**Ordinary share capital**	**Share premium**	**Total**
		€	**€**	**€**
Authorised share capital				
At 1 January 2016 and 2017	262,776	2,628	-	2,628
Change in nominal value of shares	(260,148)	-	-	-
Increase in authorised share capital	47,372	47,372	-	47,372
At 31 December 2017	**50,000**	**50,000**	**-**	**50,000**
Issued and fully paid				
At 1 January 2016 and 2017	262,776	2,628	2,304,345	2,306,973
Change in nominal value of shares	(260,148)	-	-	-
Increase in issued share capital	47,372	47,372	-	47,372
At 31 December 2017	**50,000**	**50,000**	**2,304,345**	**2,354,345**

13. Share capital and premium - continued

On 27 April 2017, the Company's authorised and issued share capital increased from €2,628 to €50,000. The nominal value of the shares has also increased from €0.01 per share to €1.00 per share on the same date.

14. Share-based payments

(a) Employee share option plan

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

Pursuant to the acquisition of the Betit Group described in Note 28, GIG Inc. replaced vested share options held by key employees in Betit Holdings Limited, with shares in GIG Inc. The replacement into GIG Inc. shares was treated as part of the consideration paid to acquire Betit given that these were entirely attributable to pre-combination services. The fair value of the replacement shares, amounting to €3,294,130 was substantially equivalent to the fair value of the Betit share options at acquisition date. Accordingly, the Group did not recognise any incremental fair value as a result of the modification.

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

During 2016, the Group granted 1,000,000 share options in GIG Inc. as part of the consideration for the acquisition of intangible assets. Information relating to these share options is included in the tables below. The fair value of the options at grant date, amounting to €91,357 is capitalised with the cost of intangibles in the Group's consolidated financial statements.

During the period the exercise dates for some of the share options where modified resulting with an extra cost of EUR168,000.

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

	2017		**2016**	
	Average exercise price in € per option	Options	**Average Exercise price in € per option**	Options
Share options which were granted or converted into options of GIG Inc.				
At 1 January	**0.09**	**27,092,463**	0.03	31,028,481
At 31 December	**0.25**	**27,217,317**	0.09	27,092,463
Share options which were granted or converted into options of GIG Inc.				
Granted	**0.45**	**9,850,000**	0.37	4,720,000
Exercised	**0.02**	**7,560,406**	0.02	8,656,018
Forfeited during the year	**0.07**	**2,164,740**	-	-

Out of the 27,217,317 (2016: 27,092,463) outstanding options which were granted or converted into options of GIG Inc., 950,000 (2016: nil) were exercisable.

14. Share-based payments - continued

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

Options which were converted into GIG Inc. shares, and exercised in 2017 resulted in 7,560,406 shares (2016: 8,656,018) being issued at a weighted average price of €0.02 (2016: €0.02). The related weighted average share price at the time of exercise was €0.43 (2016: €0.43) 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:

Grant dates (range)	Vest dates (range)	Expiry dates (range)	Exercise prices in option (range) €	Share options 2017	2016
2014-2015	2016-2019	31 October 2017 - 31 January 2019	Nil	10,207,317	18,372,463
2015	2016-2020	May - August 2021	0.12-0.17	3,500,000	3,600,000
2016	2016-2020	January 2023	0.15	300,000	400,000
2016-2020	2016-2020	February 2023	0.24	1,500,000	1,500,000
2016-2020	2015-2017	May to September 2023	0.40-0.43	1,860,000	3,220,000
2017	2018-2020	December 2022	0.45-0.48	7,500,000	-
2017	2018-2020	June 2023	0.64-0.66	2,350,000	-
				27,217,317	**27,092,463**

(c) Valuation of share options for the year ended 31 December 2017

The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was €0.17 (2016: €0.15) per option. The significant inputs into the model were weighted average share price of €0.45 (2016: €0.36) at the grant date, exercise price shown above, volatility of 75% (2016: 67%), dividend yield of 0% (2016: 0%), an expected option life of 2.7 (2016: 2.7) years and an annual risk-free interest rate of 0.55% (2016: 0.57%). 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.

(d) Cash-settled options

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

14. Share-based payments - continued

(d) Cash-settled options - continued

On the date of acquisition, the value of the vested portion of each cash-settled option represented pre-combination services and was therefore treated as part of the business combination liabilities assumed. The liability arising from the cash-settled schemes as at the date of acquisition was deemed to have a fair value of €145,019 at the date of acquisition.

The fair value of the cash-settled option at reporting date was determined using the Black-Scholes model using the following inputs as at 31 December 2017:

	31 December 2017	31 December 2016
Share price at measurement date (€)	**0.50**	0.34
Expected volatility (%)	**60.90**	86.60
Dividend yield (%)	**-**	-
Risk-free interest rate (%)	**0.83**	0.83
Carrying amount of liability (€)	**146,451**	110,572

In 2017, €280,437 (2016: €34,447) cash-settled options vested.

15. Capital reserves

Group	Notes	**Capital contribution reserve €**	**Advances for shares to be issued €**	**Total €**
At 1 January 2016		3,399,609	510,545	3,910,154
Capital contribution arising on share options granted by the Group's parent entity:				
Fair value of employee services	21	582,948	-	582,948
Value of shares granted for the acquisition of intangible assets		91,357	-	91,357
At 31 December 2016		**4,073,914**	**510,545**	**4,584,459**
At 1 January 2017		4,073,914	510,545	4,584,459
Capital contribution arising on share options granted by the Group's parent entity:				
Fair value of employee services	21	1,666,560	-	1,666,560
Value of shares granted for the acquisition of intangible assets	28	3,578,526	-	3,578,526
At 31 December 2017		**9,319,000**	**510,545**	**9,829,545**

15. Capital reserves - continued

Company	Note	**Capital contribution reserve**	**Advances for shares to be issued**	**Total**
		€	**€**	**€**
At 1 January 2016 and 31 December 2016		**2,925,096**	**510,545**	**3,435,641**
At 1 January 2017		2,925,096	510,545	3,435,641
Value of shares granted for the acquisition of intangible assets	28	3,578,526	-	3,578,526
At 31 December 2017		**6,503,622**	**510,545**	**7,014,167**

Advances for shares to be issued
This represents proceeds received by the Company from its shareholders in anticipation of issuance of ordinary shares, and exercised share options, the share capital and premium of which had not yet been issued. The amount of €510,545 as at 31 December 2017 and 2016 represents advances in respect of share premium, for which the formal documentation has not been filed with the Registrar of companies by the end of the respective financial reporting periods. Once the said filing is formalised, the reserve will be capitalised as share premium.

Capital contribution reserve
The amount of` €1,666,560 (2016: €582,946), included in the Group's capital contribution reserve comprises the fair value of share options granted by GIG Inc. as consideration to employees of the various Group undertakings. Note 14 includes details on the Group's share-based payment arrangements.

The amount of €3,578,526 , included in the Group and Company's contribution reserve is arising as a result of acquisition of Rebel Penguin ApS (Note 28).

16. Other reserves

Group	**Available-for-sale investments €**	**Currency translation reserve €**	**Transactions with non-controlling interests €**	**Total €**
At 1 January 2016	(33,459)	8,413	1,308,904	1,283,858
Acquisition of non-controlling interest in iGamingCloud Limited (Note 28)	-	-	(14,721,344)	(14,721,344)
Changes in value of available-for-sale financial assets (Note 9)	(69,459)	-	-	(69,459)
Currency translation differences	-	178,789	-	178,789
Other	-	-	23,263	23,263
At 31 December 2016	(102,918)	187,202	(13,389,177)	(13,304,893)
At 1 January 2017	(102,918)	187,202	(13,389,177)	(13,304,893)
Changes in value of available-for-sale financial assets (Note 9)	1,280,583	-	-	1,280,583
Currency translation differences	-	(550,462)	-	(550,462)
Other	-	23,907	-	23,907
At 31 December 2017	**1,177,665**	**(339,353)**	**(13,389,177)**	**(12,550,865)**

Company	**Available-for-sale investments €**	**Total €**
At 1 January 2016	(33,459)	(33,459)
Changes in value of available-for-sale financial assets (Note 9)	(69,459)	(69,459)
At 31 December 2016	(102,918)	(102,918)
At 1 January 2017	(102,918)	(102,918)
Changes in value of available-for-sale financial assets, net of deferred taxation (Note 9)	832,379	832,379
At 31 December 2017	**729,461**	**729,461**

Available-for-sale investments

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

16. Other reserves - continued

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

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

The above reserves are non-distributable reserves.

17. Trade and other payables

	Group		Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
Trade payables	**8,458,808**	3,184,612	**132,642**	-
Players' accounts	**3,912,730**	2,178,313	**-**	-
Amounts due to related parties	**-**	667,936	**3,847,034**	-
Other payables	**3,925,960**	1,672,427	**25,237**	27,694
Indirect taxation and social security	**1,780,499**	369,612	**-**	-
Accruals and deferred income	**9,135,253**	6,478,017	**37,447**	14,114
	27,213,250	14,550,917	**4,042,360**	41,808

The amounts due to related parties are unsecured, interest-free and repayable on demand.

18. Borrowings

Current	Group		Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
Loans from group parent	**87,322,935**	95,189,440	**73,892,709**	84,997,775

The decrease in the Group's and Company's loans with GIG Inc. mainly relates to bond proceeds which have been transferred to GIG Inc. This decrease has been partly set off by acquisitions of the subsidiary, domains and affiliate contracts funded by the Group's parent company as disclosed in Note 5.

Borrowings from the Group's parent are unsecured, interest-free and repayable on demand, although the Group parent company (GIG Inc) has undertaken not to request payment until sufficient funds are available to GIG plc Group as further disclosed in Notes 1.1 and 3.1c of these financial statements.

The carrying amounts of borrowings approximate their fair value.

Non-Current	Group		Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
Bonds	**66,465,902**	-	**66,465,902**	-

18. **Borrowings** - continued

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

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

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

The quoted market price of the bonds at 31 December 2017 was SEK 661,115,000 (€67,160,548), which in the opinion of the directors fairly represents the fair value of these liabilities. The fair value estimate in this respect is deemed to fall under level 1 of the fair value measurement hierarchy as it constitutes a quoted price in an active market.

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

The amount of transaction costs which are being capitalised as part of borrowings is €1,750,454.

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

19. Deferred taxation

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

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

	Group		**Company**	
	2017	2016	**2017**	2016
	€	€	**€**	€
Deferred tax asset to be recovered after more than 12 months	**615,600**	512,841	**-**	-
Deferred tax liability to be settled after more than 12 months	**(828,612)**	(157,021)	**(448,204)**	-
	(213,012)	355,820	**(448,204)**	-

19. Deferred taxation - continued

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

	Group		Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
As at 1 January	**355,820**	10,958	**-**	-
Deferred tax liability to be recovered after more than 12 months - recognised in profit or loss	**(480,428)**	344,862	**-**	-
Deferred tax liability to be settled after more than 12 months - recognised in other comprehensive income	**-**	-	**(448,204)**	-
Deferred tax liability arising from acquisition of subsidiary (Note 28)	**(88,404)**	-	**-**	-

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

	Group		Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
Future tax credits on subsidiaries' undistributed profits	**615,600**	512,841	**-**	-
Differences between the tax base and carrying amounts of tangible assets	**1,282**	2,567	**-**	-
Differences between the tax base and carrying amounts of available for sale investments	**-**	-	**(448,204)**	-
Difference between the tax base and carrying amounts of intangible assets	**(867,125)**	(162,550)	**-**	-
Capital allowances and tax losses	**31,624**	-	**-**	-
Provision for impairment of receivables	**5,607**	2,962	**-**	-
	(213,012)	355,820	**(448,204)**	-

As at 31 December 2017, the Group also had unrecognised unutilised tax credits amounting to €9,380,914 (2016: €8,418,367) arising from unabsorbed tax losses and capital allowances, and net taxable temporary differences arising from intangible assets and property, plant and equipment amounting to €904,966 (2016: €318,758). These give rise to a net deferred tax asset for the Group amounting to €423,797 (2016: €404,980), which is not recognised in these financial statements.

20. Revenue and other operating expenses

(a) Revenue

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

20. Revenue and other operating expenses - continued

(b) Other operating expenses

Other operating expenses include:

	Group		Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
Platform and service provider fees	**16,542,210**	8,173,057	**-**	-
Gaming taxes	**3,324,528**	811,514	**-**	-
Consultancy fees	**4,868,852**	2,306,926	**151,375**	-
Operating leases	**1,632,671**	761,470	**-**	-
Other operating expenses	**9,258,388**	4,199,387	**123,511**	137,810
	35,626,649	16,252,354	**274,886**	137,810

Fees charged by the auditor for services rendered during the financial year ended 31 December 2016 are shown in the table below.

	Group		Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
Annual statutory audit	**224,750**	189,350	**20,000**	20,000
Tax advisory and compliance services	**38,341**	27,065	**1,975**	7,530
Other non-audit services	**19,770**	54,720	**14,480**	45,500
	282,861	271,135	**36,455**	73,030

21. Employee benefit expense

	Group	
	2017	2016
	€	€
Gross wages and salaries	**22,574,284**	9,980,313
Less: employee costs capitalised as part of software development	**(3,922,259)**	(825,109)
Net wages and salaries, including other benefits	**18,652,025**	9,155,204
Social security costs	**2,216,313**	645,812
Share options granted to employees (Note 15)	**1,666,560**	548,501
Cash-settled options vested during the year	**280,437**	34,447
	22,815,335	10,383,964

21. Employee benefit expense - continued

The Group employed, on average:

	Group	
	2017	2016
Managerial	**7**	7
Administrative	**502**	377
	509	384

22. Other (losses)/gains - net

	Group		Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
Other costs	**(150,269)**	(65,734)	**-**	-
Other income	**-**	961	**-**	961
	(150,269)	(64,773)	**-**	961

23. Finance income

	Group		Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
Interest income on bank deposits	**6,247**	1,961	**-**	-
Other interest income	**-**	-	**2,040,519**	-
Exchange differences	**1,579,980**	-	**2,775,396**	-
	1,586,227	1,961	**4,815,915**	-

Included within finance income, are exchange differences arising from transactions carried out in a foreign currency. As described in Note 1.4, it is the Group's and the Company's accounting policy to present all foreign exchange differences within finance income or finance costs.

24. Finance costs

	Group		Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
Bond interest expense	**3,149,270**	-	**3,149,270**	-
Other interest expense	**3,991**	-	**-**	-
Exchange differences	**-**	1,053,202	**-**	-
	3,153,261	1,053,202	**3,149,270**	-

Included within finance costs, are exchange differences arising from transactions carried out in a foreign currency. As described in Note 1.4, it is the Group's and the Company's accounting policy to present all foreign exchange differences within finance income or finance costs.

25. Tax expense

	Group		Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
Current tax expense				
current year	**492,075**	625,697	**-**	-
under provision in prior periods	-	83,007	**-**	-
Deferred tax expense/(income) (Note 19)				
current year	**480,428**	(538,009)	**-**	-
under provision in prior periods	-	193,147	**-**	-
	972,503	363,842	-	-

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

	Group		Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
Profit/(loss) before tax	**2,998,137**	2,190,156	**1,391,634**	(136,849)
Tax calculated at domestic tax rates applicable to profits in the respective countries	**439,444**	(141,869)	**487,072**	(47,897)
Tax effect of:				
Income not subject to tax	**(955,054)**	(12,549)	**(955,054)**	-
Disallowed expenses	**1,489,318**	484,450	**469,481**	47,897
Adjustment for current tax of prior periods	**-**	83,007	**-**	-
Adjustment for deferred tax of prior periods	**-**	193,147	**-**	-
Other differences	**(1,205)**	(242,344)	**(1,499)**	-
Tax expense	**972,503**	363,842	**-**	-

26. Operating lease commitments

	Group	
	2017	2016
	€	€
Minimum lease payments under operating leases recognised as an expense	**1,632,671**	761,470

26. Operating lease commitments - continued

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

	Group	
	2017	2016
	€	€
Less than one year	**2,252,573**	424,092
Between one and five years	**8,620,969**	5,775,387
	10,873,542	6,199,479

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

27. Cash generated from operations

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

	Group		Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
Operating profit/(loss)	**4,565,171**	3,241,397	**(275,011)**	(136,849)
Adjustments for:				
Amortisation of intangible assets (Note 5)	**10,074,714**	2,697,892	**-**	-
Share of net profit of associate accounted for using the equity method (Note 8)	**(4,282)**	-	**(4,282)**	-
Depreciation of property, plant and equipment (Note 6)	**786,628**	264,636	**-**	-
Provision for impairment of trade receivables (Note 11)	**52,918**	22,655	**-**	-
Share-based payment	**1,946,997**	582,948		
Changes in working capital:				
Trade and other receivables	**(13,418,119)**	(7,016,283)	**(1,625,404)**	203,173
Trade and other payables	**11,362,233**	(2,826,167)	**3,985,415**	(22,637)
Restricted cash	**(1,617,864)**	3,606,153	**-**	-
Cash generated from operations	**13,748,396**	573,231	**2,080,718**	43,687

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

(b) Reconciliation of financial liabilities

Group	Bond €	Loan from group parent €	Total
Balance as at 1 January 2017	-	95,189,440	95,189,440
Cash flows	66,955,073	(7,866,505)	59,088,568
Foreign exchange adjustments	(2,161,282)	-	(2,161,282)
Other non-cash movements	1,672,111	-	1,672,111
Balance as at 31 December 2017	**66,465,902**	**87,322,935**	**153,788,837**

Company	Bond €	Loan from group parent €	Total
Balance as at 1 January 2017	-	84,997,775	84,997,775
Cash flows	66,955,073	(11,105,066)	55,850,007
Foreign exchange adjustments	(2,161,282)	-	(2,161,282)
Other non-cash movements	1,672,111	-	1,672,111
Balance as at 31 December 2017	**66,465,902**	**73,892,709**	**140,358,611**

(c) Significant non-cash transactions

Group and Company

As disclosed further in Note 28, during 2017, the Group, through the Company, acquired Rebel Penguin ApS. The purchase consideration comprised a cash consideration of €9,119,996 and 7,165,000 treasury shares in Gaming Innovation Group Inc., with a fair value at completion date of €3,578,526, yielding a total fair value consideration of €12,698,522. The aggregate amount payable by the Group to GIG Inc. remains outstanding in the Group's and Company financial statements at year end.

During 2016, the Group, through the Company, acquired OddsModel AS and the Betit Group. The consideration for these acquisitions, amounting to €8,585,700 and €59,891,945 respectively, was settled through the issuance of GIG Inc. shares.

Group

During 2016, the Group purchased intangible assets for an amount of €9,161,079, the consideration of which was settled by GIG Inc. €9,069,722 of the consideration remained outstanding at year end, whilst €91,357 was contributed through the grant of options in GIG Inc. to the founder of the assets, and is reflected within the Group's capital reserves.

28. Business combinations and other changes to the Group

28.1 Business combinations and other changes to the Group

Group and Company

(a) Acquisition of Rebel Penguin ApS

On 26 September 2017, the completion date, Innovation Labs Limited acquired 100% of Rebel Penguin ApS' share capital; a company incorporated in Denmark. Management performed an assessment of the application of IFRS 3 "Business combinations" in concluding that the purchase met the definition of a business.

The acquisition enhances Group value through the purchase of proprietary paid media technologies, sports book capabilities and the ability to tap into novel paid media channels.

The purchase consideration comprised a cash consideration of €9,119,996 and 7,165,000 treasury shares in Gaming Innovation Group Inc., with a fair value at completion date of €3,578,526, yielding a total fair valued consideration of €12,698,522.

The fair value of the acquired trade receivables is equivalent to their carrying amount disclosed above. None of the acquired receivables are expected to be incollectible.

Rebel Penguin's acquisition contributed revenues of €1,577,964 and net profit of €186,232 to the Group for the period between the date of acquisition and 31 December 2017.

Details of the purchase consideration, goodwill, identifiable assets and liabilities follows:

	€	€
Fair value of consideration		
Cash paid	9,119,996	
Value of shares contributed by parent company	3,578,526	
		12,698,522
Identifiable assets and liabilities		
Property, plant and equipment	120,651	
Trade and other receivables	735,708	
Trade and other payables	(458,306)	
Deferred income tax liability	(88,404)	
Corporate tax liability	(216,880)	
Lease gain over contracted rate	192,056	
Affiliate contracts	267,736	
Domains	899,175	
Technology	5,665,352	
		7,117,088
Goodwill		**5,581,434**

The technology acquired has been valued on the basis of the projected free cash flow that is expected to be generated from the use of the acquired technology in the next 5 years, together with the estimate of the terminal value. The post-tax discount rate applied to the cash flow projections including the terminal value is 16.5%.

Goodwill is not deductible for tax purposes, and primarily represents the value attributed to the entity's technical industry knowledge and expected synergies that GIG should benefit as a result of the transaction.

28. Business combinations and other changes to the Group - continued

28.1 Business combinations and other changes to the Group - continued

Group and Company - continued

(b) Consolidated pro-forma revenue and profit for the year

If the acquisition disclosed in (a) had occurred on 1 January 2017, consolidated pro-forma revenue and profit for the year ended 31 December 2017 would have been €124,378,822 and €2,454,851 respectively.

(c) Acquisition of OddsModel AS

On 7 April 2016, the Group, through the Company, acquired 100% of the issued share capital of OddsModel AS, a sports betting technology company which has for several years developed software used for automated and manual pricing of global betting markets. The company produces data utilised to generate real-time pricing of pre-match and in-play sports events through the use of quantitative methods and proprietary analytical models.

The purchase consideration – which at Group level is represented by a borrowing as disclosed in Note 18 - comprised the issuance of 21,739,000 new shares of GIG Inc., the Group's parent. At the date of acquisition, the market value of the shares issued amounted to €8,585,700. The acquiree's technology platform was valued at an amount of €2,113,750. The director does not consider the fair value of other assets and liabilities acquired to be material in the context of the group results and on this basis, no further disclosure was deemed to be required.

Goodwill, measured as the difference between the consideration and the fair value of the acquired assets and liabilities amounted to €6,447,762, and is attributable to the expected commercial, operational and technological synergies from the acquisition.

During 2016, this business did not generate any revenues after the acquisition and contributed a net loss of €852,637 to the Group for the period from acquisition to 31 December 2016.

In the Company's separate financial statements, the consideration paid to acquire OddsModel AS is recognised within 'Investments in subsidiaries' (Note 7).

(d) Acquisition of Betit Holdings Ltd

On 1 September 2016, the Group completed the acquisition of 100% of the shares of Betit Holdings Ltd. Through this acquisition, the Group obtained control of the Betit Group, a remote gaming operator.

Concurrently with the acquisition of Betit, the Group also entered into negotiations with the second largest shareholder of the Betit Group, to repurchase 10% of the shares in iGamingcloud Limited ("IGC"). During 2015, the Group sold a 10% holding in IGC to the second largest shareholder of Betit (Note 28.2), reducing its interest in this company from 100% to 90%. This transaction, also completed in September 2016, was conditional upon the Group acquiring 100% of Betit.

Given that the acquisition of IGC was:

- negotiated simultaneously with the acquisition of Betit; and
- was conditional on the Group acquiring 100% of the shares in Betit;

28. Business combinations and other changes to the Group - continued

28.1 Business combinations and other changes to the Group - continued

(d) Acquisition of Betit Holdings Ltd - continued

If the acquisitions were deemed to be linked transactions, resulting in part of the contractual consideration for the acquisition of IGC being allocated to Betit's purchase price. The amount allocated to the acquisition of Betit was calculated as the residual of the total contractual consideration to purchase IGC, amounting to €20,014,967 and the fair value of IGC on the date of acquisition, amounting to €14,499,967 (Note 28.2).

(i) Replacement of Betit share option schemes

Prior to the acquisition, Betit had equity-settled share option schemes in place for a number of its key employees. A substantial portion of these share options had already vested as at the date of the Group's acquisition, whilst some options still required the employees to work a certain period prior to vesting.

For those options which had vested as at the date of acquisition, but which were not yet exercised, the Group replaced these options with shares of GIG Inc. The replacement of the shares was mandated in the share purchase agreement and the replaced shares were part of the consideration issued to the previous majority shareholders of Betit.

Further to this, for those options which had not yet vested as at the date of acquisition, the Group replaced these share options with a compensation scheme, which grants the employees a one-time cash compensation, based on the value of GIG Inc.'s shares.

Further details on the Group's share-based payment arrangements are disclosed in Note 14.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	On acquisition €
Purchase consideration, comprising issuance of GIG Inc. shares:	
- Betit agreement	54,376,945
- Allocation of IGC consideration	5,515,000
Total purchase consideration	59,891,945

The fair value of the consideration, comprising 169,068,225 shares in GIG Inc., was based on the published price of the shares on the date of acquisition. In these financial statements, the consideration to acquire Betit is included as a borrowing due to GIG Inc. as disclosed in Note 18.

28. Business combinations and other changes to the Group - continued

28.1 Business combinations and other changes to the Group - continued

(d) Acquisition of Betit Holdings Ltd - continued

(i) Replacement of Betit share option schemes - continued

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value
	€
Cash and cash equivalents	1,403,670
Trade and other receivables	3,774,683
Intangible assets: domains	17,623,590
Intangible assets: non-compete agreement	258,500
Intangible assets: affiliate contracts	1,488,518
Intangible assets: technology platform	282,300
Property, plant and equipment	314,908
Trade and other payables	(6,818,935)
Net identifiable assets acquired	18,327,234
Add goodwill	41,564,711
Net assets acquired	59,891,945

As a result of the acquisition, the Group is expected to benefit from the synergies created, as well as an expected increase in its presence in these markets; the goodwill arising on acquisition is primarily attributable to these factors. None of the goodwill recognised is deductible for tax purposes.

The fair value of the acquired trade receivables is equivalent to their carrying amount disclosed above. None of the acquired receivables are expected to be uncollectible.

During 2016, Betit's acquisition contributed revenues of €10,081,926 and net profit of €41,852 to the Group for the period between the date of acquisition and 31 December 2016.

In the Company's separate financial statements, the consideration paid to acquire Betit is recognised within 'Investments in subsidiaries' (Note 7).

28. Business combinations and other changes to the Group - continued

28.2 Transactions with non-controlling interests

Group

(a) Acquisition of additional interests in subsidiaries

iGamingcloud Limited

As disclosed in Note 28.1 (d) above, during 2016, the Group, through the Company, repurchased 10% of the shares in IGC, which were sold in 2015 for an amount of €1,000,000. The Group now holds 100% of the shares in IGC.

The contractual consideration for the 10% interest in IGC comprised 56,500,000 shares in GIG Inc., with a market value of €20,014,967 on the date of acquisition. However, on this date IGC was valued at for €14,499,967, and for the reasons discussed in Note 28.1 (d), the residual between the contractual consideration and IGC's market value was allocated to Betit's purchase price.

The carrying amount of the non-controlling interest in IGC on the date of acquisition was a debit of €221,377. The Group derecognised this amount, and recorded an increase in equity attributable to owners of the parent of €14,721,344.

The effect of changes in ownership interest of IGC Limited on the equity attributable to the owners of the parent during the year is summarised as follows:

	€
Carrying amount of non-controlling interest acquired	(221,377)
Consideration paid to non-controlling interests	(14,499,967)
Excess of consideration paid recognised in parent's equity	(14,721,344)

29. Related party transactions

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

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

The following transactions were carried out with related parties.

(a) Sales of services

	Group	
	2017	2016
	€	€
- fellow subsidiaries of GIG Inc. Group	**2,063,803**	199,601

29. Related party transactions - continued

(b) Key management personnel

	Group	
	2017	2016
	€	€
Director's emoluments	**128,145**	120,605
Share-based payments	**387,996**	58,835
	516,141	179,440

Key management personnel comprise the director of the parent company and the director of the other group undertakings. Key management personnel compensation, in addition to the company's director remuneration as disclosed above, amounted to €108,694 (2016: €152,757)

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

	Group		Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
Other receivables from related parties (Note 11)				
subsidiaries	**-**	-	**62,822,642**	2,597,041
other related parties	**3,149,316**	1,071,042	**-**	-
Other payables to related parties (Note 17)				
subsidiaries	**-**	-	**3,847,034**	-
other related parties	**-**	667,936	**-**	-
Loans from parent entity (Note 18)	**87,322,935**	95,189,440	**73,892,709**	84,997,775
Other transactions				
Capital contributions: parent entity (Note 15)	**3,578,526**	91,357	**3,578,526**	-
Fair value of employee services (Note 21)	**1,666,560**	582,948	**-**	-

30. Comparative information

Comparative figures disclosed in the main components of these financial statements have been reclassified to conform with the current year's presentation for the purpose of fairer presentation. The reclassification and the impact of the revised presentation are summarised in the table below.

	Amounts as previously reported €	Effect of revised presentation €	Amounts subsequent to revised presentation €
At 31 December 2016			
Statement of comprehensive income			
Personnel expenses	(11,724,693)	1,340,729	(10,383,964)
Other operating expenses	(14,911,625)	(1,340,729)	(16,252,354)

31. Events after the reporting period

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

On 26 March 2018, the Company has acquired the German sports betting company Nordbet for EUR500,000, which holds a sports betting licence in the German state, Schleswig-Holstein.

The licence in Schleswig-Holstein will allow the Group's own operators to offer sports betting in Germany. In addition, it is expected that the licence will allow GIG to integrate with the larger payment providers, making GIG's sports and casino offering more available to German end-users. The licence will thus strengthen GIG's overall offering in the German market.

There have been no other material subsequent events after 31 December 2017.

32. Significant risks and uncertainties

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

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

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

32. Significant risks and uncertainties -continued

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

In 2017, a minor portion (5.3%) of the Group's online revenue was derived from a particular jurisdiction outside the European Union/European Economic Area (hereinafter referred to as "EU/EEA"). In view of legal restrictions put in place in such jurisdiction, which had the legal prerogative to regulate its own territory, the Company's management resolved to cease to offer B2C gaming services to customers in this jurisdiction.

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

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

This evolving environment makes compliance an increasingly complex area with the risk of non-compliance with territory specific regulations, including responsible gambling and anti-money laundering obligations. These uncertainties represent a risk for the Group's ability to develop and grow the business, as changes in legislation or enforcement practices could force the group to exit markets, or even result in financial sanctions, litigation, licence withdrawal or unexpected tax exposures, which have not duly been provided for in the financial statements.

33. Statutory information

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

MALTA

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