

IGAMINGCLOUD LIMITED

Interim Financial Statements (Unaudited)  
30 June 2019

	<b>Pages</b>
Statement of financial position	2
Statement of comprehensive income	3
Statement of cash flow	4
Notes to the financial statements	5 – 7

## Statement of financial position

	€ '000	€ '000	€ '000
	30-Jun-19	30-Jun-18	31-Dec-18
Property, plant and equipment	666	1,029	844
Intangible assets	6,192	5,562	5,432
Financial assets	1,462	9	1,459
<b>Non-current assets</b>	<b>8,320</b>	<b>6,600</b>	<b>7,735</b>
Trade and other receivables	3,071	3,139	3,560
Cash and cash equivalents	42	1,338	130
<b>Total assets</b>	<b>11,434</b>	<b>11,078</b>	<b>11,425</b>
Other liabilities	379	260	873
Amounts due to related parties	13,847	8,144	-
Accruals	1,132	1,082	1,150
<b>Trade and other payables</b>	<b>15,358</b>	<b>9,487</b>	<b>2,023</b>
Share capital	40	40	40
Share premium	-	-	-
Accumulated losses	(13,644)	1,044	(878)
Other reserves	9,680	508	10,239
<b>Total equity</b>	<b>(3,924)</b>	<b>1,591</b>	<b>9,402</b>
<b>Total equity and liabilities</b>	<b>11,434</b>	<b>11,078</b>	<b>11,425</b>

## Statement of comprehensive income

	€ '000	€ '000	€ '000
	January 2019 - June 2019	January 2018 - June 2018	January 2018 - December 2018
Revenue	2,066	9,503	17,792
Gaming provider fees	(528)	(404)	(727)
Gaming taxes	0	(26)	(37)
Other cost of sales	(58)	0	0
<b>Cost of sales</b>	<b>(586)</b>	<b>(429)</b>	<b>(764)</b>
<b>Gross profit</b>	<b>1,480</b>	<b>9,074</b>	<b>17,027</b>
Tech costs	(1,878)	(1,255)	(2,934)
Consultancy costs	(2,863)	(3,108)	(6,669)
Administration costs	(1,249)	(1,273)	(2,425)
Platform fees	-	-	-
Marketing costs	(89)	(285)	(360)
Personnel costs	(3,574)	(3,434)	(7,019)
Other external costs	(440)	(418)	(1,408)
<b>Total operating expenses</b>	<b>(10,093)</b>	<b>(9,773)</b>	<b>(20,816)</b>
<b>EBITDA</b>	<b>(8,613)</b>	<b>(699)</b>	<b>(3,788)</b>
Deperciation	(3,408)	(2,064)	(4,475)
<b>EBIT</b>	<b>(12,022)</b>	<b>(2,763)</b>	<b>(8,264)</b>
Financial income/expenes	(689)	(19)	(0)
<b>Loss before tax</b>	<b>(12,710)</b>	<b>(2,782)</b>	<b>(8,264)</b>
Taxation	(30)	0	(203)
<b>Loss before tax</b>	<b>(12,741)</b>	<b>(2,782)</b>	<b>(8,467)</b>

## Statement of cash flow

	€'000 Jan 2019 - Jun 2019	€'000 Jan 2018 - Jun 2018	€'000 January 2018 - Dec 2018
Operating loss	(12,022)	(2,763)	(8,264)
Adjustments for:			
Amortisation of intangible assets	2,870	1,839	4,111
Depreciation of property, plant and equipment	178	179	364
Share-based payment	(360)	52	180
Changes in working capital:			
Other adjustments for non-cash items and changes in operating assets and liabilities	13,595	5,880	9,913
Interest paid	(689)	(19)	
Tax paid	(30)	0	(203)
<b>Cash generated from operations</b>	<b>3,542</b>	<b>5,167</b>	<b>6,102</b>
<b>Cash flows from investing activities</b>			
Purchase of intangible assets	(3,630)	(3,955)	(6,096)
Purchase of property, plant and equipment	0	(36)	(37)
<b>Net cash used in investing activities</b>	<b>(3,630)</b>	<b>(3,991)</b>	<b>(6,134)</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issuance of ordinary shares	0	39	39
<b>Net cash generated from financing activities</b>	<b>0</b>	<b>39</b>	<b>39</b>
<b>Net movement in cash and cash equivalents</b>	<b>(87)</b>	<b>1,215</b>	<b>7</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>130</b>	<b>92</b>	<b>92</b>
<b>Cash and cash equivalents received upon business combinations</b>	<b>0</b>	<b>31</b>	<b>31</b>
<b>Cash and cash equivalents at end of year</b>	<b>42</b>	<b>1,338</b>	<b>130</b>

## **Selected notes to condensed financial statements as of and for the periods ending 30 June 2019 and 2018**

### **1. General Information**

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

The company's immediate parent company is Gaming Innovation Group plc, a company registered in Malta, with its registered address at @GIG Beach, Dragunara Street, St. Julians, STJ 3148 Malta. GIG Inc is the ultimate parent company whose registered office is 10700 Strigfellow Rd, Suite 10, Bokeelia, FL 33922, USA.

The company's principal activity is to carry on the business of developing, setting up, maintaining, managing, supporting, running, hosting, licensing and otherwise exploiting gaming platforms for remote gaming, including software and hardware components of such platforms whether for casinos, sportsbook poker or other games, whether to be operated through internet, mobile or other interactive media, in accordance with such permits or licences as may be required by applicable law. The Company also provides B2B services, including platform services. During 2018, related group undertakings have been merged into the company to the financial statements. As a result, the Company operates an eco-system where multiple odds providers and services can be integrated and where operators can choose to use the full service or part of the offering to match their specific, customised needs. The Company has also obtained a B2B licence under the Malta Gaming Authority through one of the mergers.

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

#### **1.1 Basis of preparation**

The condensed interim financial statements have been prepared in conformity with IAS 34 and do not include all the information required for full annual financial statements. The condensed interim financial statements for the periods ended 30 June 2019 and 2018 have not been audited by the Company's auditors.

These unaudited interim condensed financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The condensed financial statements report the six months of operations of both 2019 and 2018 of IGamingCloud Limited.

The Company's condensed financial statements are presented in Euros (EUR), which is the presentation and functional currency of the Company.

### **2. Summary of significant accounting policies**

#### **Accounting policies**

The accounting policies adopted and used in preparing the condensed financial statements as of and for the periods ended 30 June 2019 and 2018 are consistent with those used in preparing the Company's financial statements as of and for the year ended 31 December 2018.

#### **Revenue Recognition Policy**

Revenue comprises the fair value of the consideration received or receivable for the supply of services in the ordinary course of the Company's activities. The Company recognizes 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 Company and when specific criteria have been met as described below.

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

**GiG Platform Services**

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

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

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

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

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

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

**3. Standards, Interpretations and Amendments to Published Standards Effective in 2019**

In 2019, the Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting periods beginning 1 January 2019. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Company's accounting policies.

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

**4. Impairment of intangible assets**

The Company reviews the carrying amounts of its tangible and intangible assets on an annual basis (or more frequently if events or changes in circumstances indicate a potential impairment) to determine if there are any indications that the assets have decreased in value. If any such indications exist, the recoverable amount is set to determine the need to recognise an impairment. When calculating the recoverable amount, future cash flows are discounted to present value using a discount rate before tax. If the recoverable amount is determined to be lower than the carrying amount an impairment is recorded through a charge to the statement of operations. No impairments were noted during 2019 or 2018.

**5. Changes in equity**

As at 30 June 2019, 40,000 shares were outstanding, where of the Company owned no treasury shares.

**6. Litigation**

From time to time, the Company is involved in litigation brought by previous employees or other persons. The Company and its legal counsel believe that these claims are without merit.

**7. Related party transactions**

There were no material related party transactions in the first and second quarter 2019.

**8. Subsequent events**

There have been no material subsequent events after 30 June 2019.

**9. Alternative performance measures**

Certain financial measures and ratios related thereto in this interim report are not specifically defined under IFRS or any other generally accepted accounting principles. These measures are presented in this report because they are amount the measures used by management and they are frequently used by other interested parties for valuation purposes. In addition, the Company provides information on certain costs in the income statement, as these are deemed to be significant from an industry perspective.

**EBIT:** Operating profit

**EBITDA:** Operating profit less depreciation and amortization

**Gaming tax:** Taxes paid on revenues in regulated markets

**Gross profit:** Operating revenue less cost of sales