

ZECURE GAMING LIMITED

Interim Financial Statements (Unaudited)
30 June 2019

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Statement of financial position

	€ '000	€ '000	€ '000
	30 June 2019	30 June 2018	31 December 2018
Property, plant and equipment	14	30	22
Intangible assets	212	60	143
Non-current assets	226	89	165
Other receivables	823	610	112
Amounts due from related parties	2,441	4,293	7,892
Trade and other receivables	3,264	4,903	8,004
Cash and cash equivalents	1,419	39	410
Total assets	4,909	5,032	8,579
Jackpots	187	-	-
Other liabilities	260	878	3,632
Accruals	737	643	183
Trade and other payables	1,184	1,521	3,816
Share capital	1	1	1
Accumulated losses	2,648	2,420	3,341
Other reserves	1,076	1,090	1,421
Total equity	3,725	3,511	4,763
Total equity and liabilities	4,909	5,032	8,579

Statement of comprehensive income

	€ '000	€ '000	€ '000
	January 2019 - June 2019	January 2018 - June 2018	January 2018 - December 2018
Revenue	2,294	10,947	26,336
Gaming provider fees	(501)	(2,679)	(4,832)
Payment fees	(461)	(2,441)	(6,493)
Gaming taxes	(791)	(514)	(1,283)
VAT Germany, Ireland Malta	-	(557)	(1,940)
Fraud (cost)/income	11	318	736
Cost of sales	(1,741)	(5,872)	(13,812)
Gross profit	554	5,075	12,525
Tech costs	(9)	(27)	(46)
Consultancy costs	(30)	(4)	(29)
Administration costs	-	(8)	(10)
Platform fees	-	-	(2,799)
Marketing costs	(274)	(4,171)	(6,419)
Personnel costs	(835)	(1,961)	(3,475)
Other external costs	(72)	(81)	(103)
Total operating expenses	(1,221)	(6,251)	(12,882)
EBITDA	(668)	(1,176)	(358)
Deperciation	(37)	(8)	(19)
EBIT	(705)	(1,184)	(377)
Financial income/expenes	12	8	(1)
Loss before tax	(693)	(1,177)	(377)
Taxation	0	(0)	(0)
Loss after tax	(693)	(1,177)	(377)

Statement of cash flows

	€'000 January 2019 - June 2019	€'000 January 2018 - June 2018	€'000 January 2018 - December 2018
Operating loss	(705)	(1,184)	(377)
Adjustments for:			
Amortisation of intangible assets	29	1	4
Depreciation of property, plant and equipment	8	7	15
Share-based payment	-	-	152
Changes in working capital:			
Other adjustments for non-cash items and changes in operating assets and liabilities	1,762	1,114	610
Interest paid	-		(1)
Interest received	12	8	-
Cash generated from operations	1,107	(55)	403
Cash flows from investing activities			
Purchase of intangible assets	(98)	-	(2)
Purchase of property, plant and equipment	-	(2)	(86)
Net cash used in investing activities	(98)	(2)	(88)
Cash flows from financing activities			
Net cash generated from financing activities	0	0	0
Net movement in cash and cash equivalents	1,009	(57)	315
Cash and cash equivalents at beginning of year	410	95	95
Cash and cash equivalents at end of year	1,419	39	410

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

1. General Information

Zecure Gaming 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 provide marketing, promotional advertising and client procurement services, whether on a commission basis or otherwise through a white label product, in particular, but not restricted to, other companies engaged in the business of internet gambling and betting. Due to the Company having entered into a share conduct agreement with a fellow subsidiary, as further described under 'Net revenues' section, certain activities of the Company changed during the year.

During 2019 the company obtained a licence with the Swedish Gaming Authority. As a result, the principal activity of the Company has changed to operating predominantly in the Swedish market.

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 Zecure Gaming 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 Gaming Operators

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

Revenue from transactions where the Company is taking positions against players, such as sports betting and online casino, is recognised when the outcome of an event is known.

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, 1,200 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