

MT SECURETRADE 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	69	131	98
Intangible assets	302	182	254
Financial assets	6	6	6
<b>Non-current assets</b>	<b>376</b>	<b>318</b>	<b>358</b>
Payment service providers	6,907	7,350	10,076
Other receivables	546	509	516
Amounts due from related parties	15,308	-	-
<b>Trade and other receivables</b>	<b>22,761</b>	<b>7,859</b>	<b>10,592</b>
Cash and cash equivalents	5,986	8,201	10,520
<b>Total assets</b>	<b>29,123</b>	<b>16,379</b>	<b>21,471</b>
Players liability	4,330	4,110	5,128
Jackpots	1,835	1,591	1,656
Other liabilities	5,325	7,062	29
Accruals	3,577	3,053	4,949
Amounts due to related parties	-	7,752	1,543
<b>Trade and other payables</b>	<b>15,066</b>	<b>23,567</b>	<b>13,246</b>
Share capital	2	2	2
Share premium	1,462	1,462	1,462
Accumulated losses	(1,014)	(9,852)	(7,968)
Other reserves	13,608	1,200	14,730
<b>Total equity</b>	<b>14,057</b>	<b>(7,189)</b>	<b>8,225</b>
<b>Total equity and liabilities</b>	<b>29,123</b>	<b>16,379</b>	<b>21,471</b>

## Statement of comprehensive income

	€ '000 January 2019 - June 2019	€ '000 January 2018 - June 2018	€ '000 January 2018 - December 2018
Revenue	15,523	2,826	6,337
Gaming provider fees	(1,008)	(613)	(997)
Payment fees	(3,665)	(808)	(1,610)
Gaming taxes	(820)	(478)	(630)
VAT Germany, Ireland Malta	(1,732)	(95)	(229)
Fraud (cost)/income	(271)	15	97
Other cost of sales	(2)	95	0
<b>Cost of sales</b>	<b>(7,499)</b>	<b>(1,883)</b>	<b>(3,369)</b>
<b>Gross profit</b>	<b>8,025</b>	<b>943</b>	<b>2,968</b>
Tech costs	(205)	(101)	(268)
Consultancy costs	(184)	(95)	(316)
Administration costs	(27)	(141)	(1,252)
Marketing costs	(122)	50	(6)
Personnel costs	(1,114)	(1,785)	(3,053)
Other external costs	(198)	(267)	(356)
<b>Total operating expenses</b>	<b>(1,850)</b>	<b>(2,339)</b>	<b>(5,251)</b>
<b>EBITDA</b>	<b>6,175</b>	<b>(1,396)</b>	<b>(2,283)</b>
Depreciation	(96)	(53)	(189)
<b>EBIT</b>	<b>6,079</b>	<b>(1,449)</b>	<b>(2,472)</b>
Financial income/expenes	(214)	(824)	(1,485)
<b>Net profit/(loss)</b>	<b>5,865</b>	<b>(2,273)</b>	<b>(3,957)</b>

## Statement of cash flows

	30 June 2019	30 June 2018	31 December 2018
	€ '000	€ '000	€ '000
<b>Cash Flows from Operating Activities</b>			
Results before income taxes	5,865	(2,273)	(3,958)
Adjustments to reconcile results before tax to net cash flows:			
Amortisation of intangible assets	67	23	136
Depreciation	29	30	52
Share based compensation	(49)	75	(12)
Change in trade and other receivables	(12,169)	67,421	6,452
<b>Changes in working capital:</b>			
Other adjustments for non-cash items and changes in operating assets and liabilities	1,836	(62,718)	0
<b>Net cash (used in)/generated from operating activities</b>	<b>(4,420)</b>	<b>2,557</b>	<b>2,671</b>
<b>Cash flows from investing activities</b>			
Purchase of intangible assets	(114)	(19)	(205)
Purchase of property, plant and equipment	0	(15)	0
<b>Net cash flows used in investing activities</b>	<b>(114)</b>	<b>(34)</b>	<b>(205)</b>
<b>Cash flows from financing activities</b>			
Borrowings from parent company	0	0	(137)
<b>Net cash flows used in financing activities</b>	<b>0</b>	<b>0</b>	<b>(137)</b>
<b>Net increase in cash and cash equivalents</b>	<b>(4,534)</b>	<b>2,524</b>	<b>2,330</b>
Cash and cash equivalents at beginning of period	10,520	5,654	1,402
<b>Cash and cash equivalents at end of period</b>	<b>5,986</b>	<b>8,178</b>	<b>3,732</b>

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

### **1. General Information**

MT SecureTrade Limited is a limited liability company and is incorporated in Malta.

The company's immediate parent company is Gaming Innovation Group plc, a company registered in Malta, with its registered address at @GIG Beach, Dragunara 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 the provision of online gaming services, primarily casino and sports.

#### **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 MT SecureTrade 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.

#### **GIG Gaming Operators**

Gaming transactions that are not deemed to be financial instruments, where the Company revenues stem from commissions. The revenue recognised in this manner relates to Poker. Such revenue represents the commission charged at the conclusion of each poker hand in cash games (i.e. rake). The Company's performance obligation in this service is the provision of the poker game to the individual players. The performance obligation is satisfied and the Company is entitled to its share of the pot (i.e. the rake) once each poker hand is complete. In this respect, revenue recognition under IFRS 15 should remain consistent with that under IAS 18 (i.e. to recognise revenue as each hand is complete).

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

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. 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.

**Other**

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

**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, 1,739 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