

GIG CENTRAL SERVICES LTD

Annual Report and Financial Statements
31 December 2018

Company Registration Number: C79753

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Independent auditor's report

To the Shareholders of GIG Central Services Ltd

Report on the audit of the financial statements

Our opinion

In our opinion:

- GIG Central Services Ltd's financial statements give a true and fair view of the company's financial position as at 31 December 2018, and of the company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

What we have audited

GIG Central Services Ltd's financial statements, set out on pages 5 to 33, comprise:

- the statement of financial position as at 31 December 2018;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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



Independent auditor's report - continued

To the Shareholders of GIG Central Services Ltd

Emphasis of matter

We draw attention to Note 1.1 to these financial statements indicating that the Company is dependent on the support of the Group it forms part of. The Group currently faces liquidity pressures which have been alleviated through the issuance of a convertible loan in December 2020. This matter is considered to be of fundamental importance to the understanding of the financial statements due to its nature and significance. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises *the Directors' report* (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information, including the directors' report.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the directors' report, we also considered whether the directors' report includes the disclosures required by Article 177 of the Maltese Companies Act (Cap. 386).

Based on the work we have performed, in our opinion:

- The information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386).

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the directors' report and other information. We have nothing to report in this regard.



Independent auditor's report - continued

To the Shareholders of GIG Central Services Ltd

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. In particular, it is difficult to evaluate all of the potential implications that COVID-19 will have on the company's trade, customers and suppliers, and the disruption to its business and the overall economy.



Independent auditor's report - continued

To the Shareholders of GIG Central Services Ltd

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors 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.

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.

We have nothing to report to you in respect of these responsibilities.

PricewaterhouseCoopers

78, Mill Street
Zone 5, Central Business District
Qormi
Malta

A handwritten signature in blue ink, appearing to read 'Romina Soler', with a large, stylized flourish extending to the right.

Romina Soler
Partner

22 December 2020

Statement of financial position

		As at 31 December	
	Notes	2018 €	2017 €
ASSETS			
Non-current assets			
Intangible assets	4	1,467,885	1,065,470
Property, plant and equipment	5	2,185,533	1,260,961
Total non-current assets		3,653,418	2,326,431
Current assets			
Trade and other receivables	6	648,697	1,980,024
Cash at bank and other intermediaries	7	721,117	59,131
Total current assets		1,369,814	2,039,155
Total assets		5,023,232	4,365,586
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	8	1,165	1,165
Capital reserves	9	3,481,305	96,823
Accumulated losses		(668,280)	(2,252,545)
Total equity		2,814,190	(2,154,557)
Current liabilities			
Trade and other payables	11	2,209,042	6,520,143
Total current liabilities		2,209,042	6,520,143
Total equity and liabilities		5,023,232	4,365,586

The notes on pages 9 to 33 are an integral part of these financial statements.

The financial statements on pages 5 to 33 were authorised for issue on 22 December 2020 and were signed by:



Mr Richard Brown
Director



Mr Justin Psaila
Director

Statement of comprehensive income

		Year ended 31 December	Period from 27 February to 31 December 2017
	Notes	2018 €	2017 €
Net Revenue		<u>13,107,462</u>	<u>500,000</u>
Operating expenses			
Personnel expenses	13	(2,491,129)	(720,026)
Depreciation and amortisation	4, 5	(728,475)	(123,027)
Marketing, including commission		(556,411)	(340,087)
Other operating expenses	12	<u>(7,747,100)</u>	<u>(1,569,405)</u>
Total operating expenses		<u>(11,523,115)</u>	<u>(2,752,545)</u>
Operating profit/(loss)		1,584,347	(2,252,545)
Finance cost	14	(82)	-
Profit/(loss) for the year/period		<u>1,584,265</u>	<u>(2,252,545)</u>

The notes on pages 9 to 33 are an integral part of these financial statements.

Statement of changes in equity

		Attributable to owners of the company			
Note	Share capital €	Capital reserves €	Accumulated losses €	Total €	
	-	-	-	-	
Balance at the beginning of period					
Comprehensive income					
Loss for the period - total comprehensive income	-	-	(2,252,545)	(2,252,545)	
Transactions with owners					
Issuance of share capital	8	1,165	-	1,165	
Value of employee services	9	-	96,823	96,823	
Balance at 31 December 2017		1,165	96,823	(2,252,545)	
Balance at 1 January 2018		1,165	96,823	(2,252,545)	
Comprehensive income					
Profit for the year - total comprehensive income		-	-	1,584,265	
Transactions with owners					
Value of employee services	9	-	318,782	318,782	
Waiver of amounts due	9	-	3,065,700	3,065,700	
Balance at 31 December 2018		1,165	3,481,305	(668,280)	
				2,814,190	

The notes on pages 9 to 33 are an integral part of these financial statements.

Statement of cash flows

		Year ended 31 December	Period from 27 February to 31 December 2017
	Notes	2018 €	2017 €
Cash flows from operating activities			
Cash generated from operations	16	2,717,448	2,508,589
Cash generated from operations		<u>2,717,448</u>	<u>2,508,589</u>
Cash flows from investing activities			
Purchase of intangible assets	4	(609,082)	(1,094,921)
Purchases of property, plant and equipment	5	(1,446,380)	(1,354,537)
Net cash used in investing activities		<u>(2,055,462)</u>	<u>(2,449,458)</u>
Net movement in cash and cash equivalents		<u>661,986</u>	<u>59,131</u>
Cash and cash equivalents at beginning of year/period		<u>59,131</u>	-
Cash and cash equivalents at end of year/period	7	<u>721,117</u>	<u>59,131</u>

The notes on pages 9 to 33 are an integral part of these financial statements.

Notes to the financial statements

1. Summary of significant accounting policies

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

1.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and with the requirements of the Maltese Companies Act (Cap. 386). They have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS as adopted by the EU requires the use of certain accounting estimates. It also requires the director to exercise their judgement in the process of applying the Company's accounting policies (see Note 3 – Critical accounting estimates and judgements).

Going Concern

As at 31 December 2018, the Company's current liabilities exceed current assets by EUR 839,228 (2017: EUR 4,480,988). The Company is therefore reliant on the support of its Parent, and the Group that it forms part of (GIG Group). GIG Group underwent a restructuring exercise during 2019, and as part of this process sold its B2C segment using the proceeds to settle a portion of its borrowings as further described below. The Group expects its financial position to improve following the partial repayment of the bond, and several actions were taken during 2020 to improve profitability including rationalisation of costs and operations in line with the Group's new focus. At the same time, pressures on liquidity will continue to prevail, until actions emanating from the Group's strategic review are successfully implemented, and in December 2020 a convertible loan of €8.5m was issued to alleviate such pressures, as further described below. The Group is also in the process of planning for the re-financing of the remaining bond of SEK400m, which becomes payable in June 2022, and various options are being considered. Management expects the Group's operating profit from operations to improve in line with the forecast for 2020, and growth plans beyond that period, which include the de-risking strategy of moving away from offering the white label model. The Company is expected to remain the cost centre of the Group and to recharge its costs at a mark-up to fellow group companies. On this basis, the Directors continue to deem the Company's going concern basis of preparation of these financial statements to be appropriate.

B2C Sale

On 14 February 2020, the parent company of the Company, Gaming Innovation Group Plc., signed a Share Purchase Agreement with Betsson Group for the divestment of its B2C assets, which include the operator brands Rizk, Guts, Kaboo and Thrills. Betsson will, through this agreement, become a long term partner of GiG, generating revenues to GiG's Platform Services. Betsson commits to initially keep the brands operational on GiG's platform for a minimum of 30 months. For the first 24 months, Betsson will pay a premium platform fee based on NGR generated. On 16 April 2020, the Group completed the sale of its B2C Assets to Betsson. GiG received €33 million as consideration, including an upfront cash payment of €22.3 million relating to the acquisition, a prepaid platform fee of €8.7 million, €2 million relating to GiG's Spanish casino license, but excluding working capital adjustments. On 22 April 2020, GiG used part of these proceeds to repay the Company's SEK300 million 2017-2020 bond together with the cost incurred of SEK1.1m for extending the maturity date of such bond from 6 March 2020 to 22 April 2020. The company's principal activities are unchanged after this transaction.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

Convertible Loan

On 18 December 2020, the ultimate parent company of the Company, Gaming Innovation Group Inc., has decided to issue a subordinated convertible loan of EUR 8.5 million to two Nordic investment funds Formue Nord A/S & Symmetry Invest A/S, which will be used to fund the Group's growth. The term of the loan is 30 months, and the loan can be converted at a share price of NOK 15, a 23% premium to the last closing price on Oslo Børs. The interest is 8% per annum. The loan is subordinated to the Company's SEK 400 million bond, and interest and capital are not repayable before all obligations under the bond are repaid. The bond has matures on 28 June 2022, and Nordic Trustee has approved the convertible loan structure as per the bond terms.

Impact of COVID-19 on the Group's and Company's operations and financial information

The assessment of the impact on the operations was performed at a Gaming Innovation Group level.

The occurrence of extraordinary events, such as natural disasters, and the outbreak of disease epidemics, has an adverse impact on the global economy, and may lead to a global recession. In early 2020, the existence of a new virus, now known as COVID-19, was confirmed, and since this time COVID-19 has spread across the world. COVID-19 has caused disruption to businesses and economic activity, which has also adversely impacted global stock markets. The Group considers the emergence and spread of COVID-19 to be a non-adjusting post balance sheet event. Given the inherent uncertainties, it is difficult to ascertain the impact of COVID-19 on the Group, or to provide a quantitative estimate of this impact. Management has however considered the potential impact, based on the known circumstances as at the date of reporting, and their assessment of potential future developments.

The Group closely monitored the progress of the Coronavirus (COVID-19) outbreak and introduced contingency measures to reduce the risk for its staff, and to ensure business continuity. The Group successfully deployed its Business Contingency Plan (BCP), and systems and operations continued to perform. The Group operates from various offices in several countries, and local measures have been adopted in line with recommendations made by the respective authorities.

The Group has a robust BCP to ensure continuity of operations and working from home is an integral part of day to day operations. Proactive steps were taken to advise employees to work from home prior to any announcements by governments. As part of the BCP, production environments require an extra level of approval to protect both the Group's business and its customers. COVID-19 did not result in disruption to the Group's operating model because of its agility.

Potential impact on Company outlook due to COVID-19

There is a risk that the prevailing unfavourable economic conditions due to the outbreak of COVID-19 could reduce online users' disposable incomes. Since the Company's business activity is to act as a cost centre for its fellow sister companies, negative developments in the global economy as a result of COVID-19 are not expected to impact the Company's outlook.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

Standards, interpretations and amendments to published standards effective in 2018

In 2018, the Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on 1 January 2018. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Company's accounting policies.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018. The adoption of IFRS 15 although resulting in changes to accounting policies did not impact the amounts recognised as at 31 December 2017 nor was there any impact resulting from changes in presentation of line items.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2015. Amongst others, it replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss or through OCI, the irrevocable option is at inception. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. The impact of IFRS 9 on financial assets is disclosed in note 2.1. The Company's financial liabilities continue to be measured at amortised cost under IFRS 9 consistently with IAS 39.

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the Company's accounting periods beginning after 1 January 2018. The Company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Company's directors are of the opinion that, with the exception of the below, there are no requirements that will have a possible significant impact on the Company's financial statements in the period of initial application.

Under IFRS 16, "Leases", a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. IFRS 16 removes the distinction between operating and finance leases for lessees, and requires them to recognise a lease liability reflecting future lease payments and a "right-of-use asset" for virtually all lease contracts; the only exceptions are short-term and low-value leases. The standard is effective for annual periods beginning on or after 1 January 2019. The Company will apply the standard from its mandatory adoption date of 1 January 2019 and will apply the simplified transition approach. Under this approach, the Company will not restate comparative amounts for the year prior to first adoption, the lease liability is measured at the present value of the remaining lease payments as at 1 January 2019, and the right-of-use assets at that date will be measured at an amount equivalent to this lease liability plus prepaid lease expenses.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the Company's accounting periods beginning after 1 January 2018. The Company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Company's directors are of the opinion that, with the exception of the below, there are no requirements that will have a possible significant impact on the Company's financial statements in the period of initial application.

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The Company has entered into lease arrangements for the use of immovable properties; these arrangements were classified as operating leases under IAS 17. As at the reporting date, the Company has non-cancellable operating lease commitments in respect of the lease of these immovable properties which amounted to €8.0m.

Management has estimated that the lease liability for the lease arrangement amounts to €6.7m and the right-of-use asset at that date amounts to €6.7m. There is no adjustment to equity upon initial application of the standard. The adoption of IFRS 16 will also result in the replacement of operating lease rental expenditure on this arrangement by amortisation of the right-of-use asset, and by an interest cost on the lease liability. Management estimates that rental costs on this arrangement, amounting to €2.1m for the year ending 31 December 2019, will be replaced by an annual amortisation charge on the right-of-use asset amounting to €1.7m and a notional interest expense of €1.0m. The adoption of IFRS 16 will therefore result in a decrease of €0.6m in profitability for the year ending 31 December 2019.

Rental payments under IFRS 16 are allocated between interest payments and a reduction in the lease liability, with a corresponding impact on the Company's statement of cash flows. The reduction in lease liability, amounting to €1.9m for the year ending 31 December 2019, will accordingly be reported as a financing cash flow instead of an operating cash flow. The Company is assessing whether to present rental payments allocated to interest, amounting to €0.9m for the year ending 31 December 2019, as financing cash flows or as operating cash flows.

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

1. Summary of significant accounting policies - continued

1.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements are presented in euro which is the Company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. 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.

1.3 Intangible assets

(a) Trademarks

The separately acquired trademarks have an indefinite useful life. These are carried at cost and systematically tested for impairment at the end of each reporting period (Note 1.7).

(b) Computer software

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the assets. These costs are amortised over three years or, over the term of the licence agreement, if different.

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

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

1. Summary of significant accounting policies - continued

1.4 Property, plant and equipment

All property, plant and equipment are initially recorded at cost and are subsequently stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

	Years
Installation & improvements to leasehold premises	6
Furniture & fittings	6
Computer and office equipment	3

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

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

1.5 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

1.6 Financial assets

1.6.1 Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

1.6.2 Recognition and derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

1.6.3 Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(a) Debt instruments

Subsequent measurement of debt instruments depends on the company's business model for managing the asset and the cash flow characteristics of the asset. The below is a measurement category into which the Company classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

1. Summary of significant accounting policies - continued

1.6 Financial assets - continued

1.6.4 Impairment

From 1 January 2018, the Company assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 2.1 for further details.

1.6.5 Accounting policies applied until 31 December 2017

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

(a) Classification

Until 31 December 2017, the Company classified its financial assets in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables, and

The classification depended on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition.

(b) Reclassification

Financial assets other than loans and receivables were permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that was unusual and highly unlikely to recur in the near term.

Reclassifications were made at fair value as of the reclassification date. Fair value became the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date were subsequently made. Effective interest rates for financial assets reclassified to loans and receivables were determined at the reclassification date. Further increases in estimates of cash flows adjusted effective interest rates prospectively

(c) Subsequent measurement

The measurement at initial recognition did not change on adoption of IFRS 9, see description above.

Subsequent to the initial recognition, loans and receivables and held-to-maturity investments were carried at amortised cost using the effective interest method.

1. Summary of significant accounting policies - continued

1.6 Financial assets - continued

1.6.5 Accounting policies applied until 31 December 2017 - continued

(c) Subsequent measurement - continued

Available-for-sale financial assets and financial assets at FVPL were subsequently carried at fair value. Gains or losses arising from changes in the fair value were recognised as follows:

- for financial assets at FVPL – in profit or loss within other gains/(losses)
- for available-for-sale financial assets that are monetary securities denominated in a foreign currency – translation differences related to changes in the amortised cost of the security were recognised in profit or loss and other changes in the carrying amount were recognised in other comprehensive income
- for other monetary and non-monetary securities classified as available-for-sale – in other comprehensive income.

Details on how the fair value of financial instruments is determined are disclosed in note 2.1.

When securities classified as available-for-sale were sold, the accumulated fair value adjustments recognised in other comprehensive income were reclassified to profit or loss as gains and losses from investment securities.

(d) Impairment

The company assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost was considered an indicator that the assets are impaired.

(e) Assets carried at amortised cost

For loans and receivables, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in profit or loss. If a loan had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract. As a practical expedient, the Company could measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreased and the decrease could be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss was recognised in profit or loss. Impairment testing of trade receivables is described in note 2.1.

1. Summary of significant accounting policies - continued

1.7 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. In the statement of cash flows, cash and cash equivalents includes cash in hand and deposits held at call with banks.

1.8 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment (Note 1.8.4). The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against profit or loss.

1.9 Share capital

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

1.10 Financial liabilities

The Company recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The Company's financial liabilities are classified as financial liabilities which are not at fair value through profit or loss (classified as 'Other liabilities') under IFRS 9. Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost. The Company derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

1.11 Trade and other payables

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

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

1. Summary of significant accounting policies - continued

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

1.13 Share-based payments

The Company's ultimate parent operates a number of equity-settled, share-based compensation plans, under which the Company receives services from employees and consultants as consideration for equity instruments (options) of the ultimate parent Company. The fair value of the employee services received in exchange for the grant of the options is recognised by the Company as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

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

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

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

The grant by the ultimate parent Company of options over its equity instruments to the employees of the Company is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an expense, with a corresponding credit to equity.

1. Summary of significant accounting policies - continued

1.14 Revenue recognition

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. In line with IFRS 15, the Company recognises revenue when the customer obtains control of a performance obligation and has the ability to direct the use and obtain the benefits of the performance obligation and when specific criteria have been met for each of the Company's activities.

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

1.15 Operating lease

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

1.16 Dividend distribution

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

2. Financial risk management

2.1 Financial risk factors

The Company's activities potentially expose it to a variety of financial risks: market risk (including foreign exchange risk), credit risk and liquidity risk. The management of the Company's financial risk is based on a financial policy approved by the ultimate parent's board of directors, and exposes the Company to a low level of risk. Risk management is coordinated at a group level in respect of all companies of which Gaming Innovation Group Inc. is the ultimate parent. The Company did not make use of derivative financial instruments to hedge risk exposures during the current period.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the entity's functional currency. The Company financial assets and financial liabilities are mainly principally denominated in Euro.

Accordingly, based on the above, the Company is not significantly exposed to foreign exchange risk and a sensitivity analysis for foreign exchange risk disclosing how profit or loss and equity would have been affected by changes in foreign exchange rates that were reasonably possible at the end of the reporting periods is not deemed necessary.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk

Credit risk mainly arises on cash and cash equivalents, amounts due from fellow subsidiaries, amounts due from ultimate parent company, indirect taxation and other receivables as follows:

	2018	2017
	€	€
Financial assets at amortised cost:		
Cash at bank and other intermediaries (Note 7)	721,117	59,131
Amounts due from fellow subsidiaries (Note 6)	-	749,380
Indirect taxation	-	482,545
Amounts due from ultimate parent company (Note 6)	100,000	-
Other receivables (Note 6)	17,583	349
Exposure	838,700	1,291,405

The maximum exposure to credit risk at the end of the reporting period in respect of the financial assets mentioned above is equivalent to their carrying amount as disclosed in the respective notes to the financial statements. The Company does not hold any collateral as security in this respect. The Company deals only with financial institutions with quality standing and does not consider that there was any material credit risk at the end of the reporting period.

The Company seeks to manage credit risk by only undertaking transactions with counterparties which include financial institutions or intermediaries and payment providers with quality standing. Control structures are in place to assess credit risk on similar lines. The following table provides information regarding the aggregated credit risk exposure, for deposits with bank and financial institutions or intermediaries with external credit ratings as at 31 December 2018 and 2017.

	2018	2017
	€	€
Loans and receivables:		
A+	73,368	-
BBB+	646,633	57,818
Below BB or not rated	1,116	1,313
	721,117	59,131

2. Financial risk management - continued

2.1 Financial risk factors – continued

(b) Credit risk - continued

(i) Impairment of financial assets

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

- trade receivables; and
- other financial assets carried at amortised cost

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

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Trade receivables were analysed to identify a history of default with its customers and expected payment trends, and settlement periods. Management estimates any risk of default to be minimal and the impact would thus be immaterial.

(ii) Previous accounting policy for impairment of financial assets

The Company 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 Company first assesses whether objective evidence of impairment exists.

The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; and;
- observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset.

For financial assets carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

2. Financial risk management - continued

2.1 Financial risk factors – continued

(c) *Liquidity risk*

The Company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities which include amounts due to group companies of EUR 1,831,271 (2017: EUR 6,109,601) and trade payables of EUR 450,172 (2017: EUR 254,749).

Liquidity risk is monitored at a group level by ensuring that enough funds are available to each subsidiary within the Group. Group management monitors liquidity risk by means of continuous observation of cash inflows and cash outflows.

As disclosed in Note 1.2, the Company's current liabilities exceeded current assets by EUR 839,228 (2017: EUR 4,480,988). The financial statements have been prepared on a going concern basis which assumes the continued support of the Group's ultimate and immediate parent Company to settle the Company's obligations as and when they fall due. Refer to Note 1.2 for the liquidity pressures which the GIG Group is facing.

2.2 Capital risk management

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

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

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

2.3 Fair values of financial instruments

At 31 December 2018 and 2017 the carrying amounts of receivables, payables and accrued expenses, reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

3. Critical accounting estimates and judgements

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

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

4. Intangible assets

	Computer software €	Trademarks €	Total €
Cost			
As at beginning of period	-	-	-
Additions	254,233	840,688	1,094,921
As at 31 December 2017	254,233	840,688	1,094,921
As at 1 January 2018	254,233	840,688	1,094,921
Additions	609,082	-	609,082
As at 31 December 2018	863,315	840,688	1,704,003
Accumulated depreciation			
As at beginning of period	-	-	-
Amortisation charge	29,451	-	29,451
As at 31 December 2017	29,451	-	29,451
As at 1 January 2018	29,451	-	29,451
Amortisation charge	206,667	-	206,667
As at 31 December 2018	236,118	-	236,118
Carrying amount			
As at beginning of period	-	-	-
As at 31 December 2017	224,782	840,688	1,065,470
As at 31 December 2018	627,197	840,688	1,467,885

The Company has trademarks with indefinite useful life. The recoverable amount was assessed at a group level based on the value-in-use calculation. A detailed assessment was performed at the end of the reporting period. The parent Company's conclusion is that the recoverable amount is well in excess of the carrying amount. The calculations are based on cash flow projections reflecting actual income from operations in the current year, the budget for the following year as confirmed by the group's board, the projection of free cash flows to be generated in 2020 – 2022 (2017: 2019-2021), as well as an estimate of residual value. The residual value is based on the projected free cash flows to be generated in 2022 (2017: 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% (2017: 2%) based on the estimated long-term inflation rate. The post-tax discount rate applied to the cash flow projections was 15% (2017: 15%).

Consequently, the directors have assessed that there is no need to impair the trademarks with an indefinite useful life.

5. Property, plant and equipment

	Computer and office equipment €	Furniture and fittings €	Installations and improvements to leasehold premises €	Total €
Cost				
As at beginning of period	-	-	-	-
Additions	595,763	325,218	433,556	1,354,537
As at 31 December 2017	<u>595,763</u>	<u>325,218</u>	<u>433,556</u>	<u>1,354,537</u>
As at 1 January 2018	595,763	325,218	433,556	1,354,537
Additions	561,107	38,192	847,081	1,446,380
As at 31 December 2018	<u>1,156,870</u>	<u>363,410</u>	<u>1,280,637</u>	<u>2,800,917</u>
Accumulated depreciation				
As at beginning of period	-	-	-	-
Depreciation charge	53,442	18,064	22,070	93,576
As at 31 December 2017	<u>53,442</u>	<u>18,064</u>	<u>22,070</u>	<u>93,576</u>
As at 1 January 2018	53,442	18,064	22,070	93,576
Depreciation charge	321,980	58,724	141,104	521,808
As at 31 December 2018	<u>375,422</u>	<u>76,788</u>	<u>163,174</u>	<u>615,384</u>
Net book value				
As at beginning of period	-	-	-	-
As at 31 December 2017	<u>542,321</u>	<u>307,154</u>	<u>411,486</u>	<u>1,260,961</u>
As at 31 December 2018	<u>781,448</u>	<u>286,622</u>	<u>1,117,463</u>	<u>2,185,533</u>

6. Trade and other receivables

	2018	2017
	€	€
Amounts due from fellow subsidiaries	-	749,380
Amounts due from ultimate parent company	100,000	-
Indirect taxation	66,695	482,545
Other receivables	17,583	349
Prepayments	464,419	747,750
	648,697	1,980,024

The amounts due from ultimate parent company and in the preceding year fellow subsidiaries are unsecured, interest free and repayable on demand.

7. Cash and cash equivalents

	2018	2017
	€	€
Cash at bank and other intermediaries	721,117	59,131

8. Share capital

	2018	2017
	€	€
Authorised, issued and fully paid 1,165 ordinary shares of EUR1 each	1,165	1,165
	1,165	1,165

9. Capital contribution reserve

	2018	2017
	€	€
At 1 January	96,823	-
Capital contribution arising on granting of share options by the ultimate parent company	318,782	96,823
Waiver of amounts payable	3,065,700	-
At 31 December	3,481,305	96,823

During the year, the immediate parent company has waived amounts due to them by the Company amounting to EUR 3,065,700 and converted to a capital contribution reserve.

The capital contribution reserve is a non-distributable reserve.

10. Share based payments

Employee share option plan

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

Reverse split

On 17 December 2018, the Group has completed a 10-for-1 reverse share split ("reverse-split"). The comparative figures within this note, are updated to reflect the reverse-split.

Share options granted

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

	2018		2017	
	Average exercise price in € per option	Options	Average exercise price in € per option	Options
Share options which were outstanding in GIG Inc.:				
At 1 January	4.20	186,000	-	-
At 31 December	5.03	191,136	4.20	186,000
Movements during the year:				
Granted	6.26	30,000	-	-
Transferred from another subsidiary company within the group	4.95	125,136	4.20	186,000
Transferred to another subsidiary company within the group	4.33	(150,000)	-	-

Out of the 191,136 (2017: 186,000) outstanding options which were granted or converted into options of GIG Inc., 33,000 (2017: nil) options were exercisable.

10. Share based payments - continued

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 date (range)	Exercise price in € per option (range)	Share Options 2018 EUR	Share Options 2017 EUR
2014 - 2015	2016 - 2019	January 2018 -January 2019	Nil	20,136	-
2016	2016 - 2020	May to Sept 2023	4.00 - 4.30	36,000	186,000
2017	2018 - 2020	December 2022	4.50 - 4.80	30,000	-
2017	2018 - 2020	June 2023	6.40 - 6.60	75,000	-
2018	2019 - 2021	January 2024	6.00 - 6.50	30,000	-
				191,136	186,000

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

Valuation of share options for the year ended 31 December 2018

The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was €1.98 (2017: €1.70) per option. The significant inputs into the model were weighted average share price of €6.02 (2017: €4.50) at the grant date, exercise price shown above, volatility of 40% (2017: 75%), dividend yield of 0% (2017: 0%), an expected option life of 6 (2017: 2.7) years and an annual risk-free interest rate of 1.40% (2017: 0.55%). The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last 3 years (2017: 3 years).

11. Trade and other payables

	2018 €	2017 €
Trade payables	2,572	254,749
Indirect taxation and social security	124,924	93,852
Amounts due to immediate parent company	-	2,901,938
Amounts due to fellow subsidiaries	1,831,271	3,207,663
Accruals and deferred income	250,275	61,941
	2,209,042	6,520,143

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

12. Other operating expenses

	Period from 27 February to 31 December	
	2018	2017
	€	€
Consultancy and professional fees	1,617,808	317,181
Operating leases	1,747,249	297,390
Other operating expenses	4,382,043	954,834
	<u>7,747,100</u>	<u>1,569,405</u>

Fees charged by the auditor for services rendered during the financial year ended 31 December 2018 relate to the following:

	Period from 27 February to 31 December	
	2018	2017
	€	€
Annual statutory audit	9,750	9,750
Tax advisory and compliance services	1,400	1,400
	<u>11,150</u>	<u>11,150</u>

13. Employee benefit expense

	Period from 27 February to 31 December	
	2018	2017
	€	€
Gross wages and salaries	2,066,715	595,131
Social security costs	105,632	28,072
Share options granted to employees (Note 9)	318,782	96,823
	<u>2,491,129</u>	<u>720,026</u>

The average number of persons employed during the period:

	Period from 27 February to 31 December	
	2018	2017
	€	€
Administrative	47	18
	<u>47</u>	<u>18</u>

14. Finance cost

		Period from 27 February to 31 December
	2018	2017
	€	€
Other interest expense	82	-

15. Commitments

Non-cancellable operating leases

The Company leases various offices under non-cancellable operating leases expiring within four years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

		Period from 27 February to 31 December
	2018	2017
	€	€
Minimum lease payments under operating leases recognised as an expense	1,747,249	297,390

	2018	2017
	€	€
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Less than one year	1,670,106	971,535
Between one and five years	6,286,443	4,121,651
	7,956,549	5,093,186

16. Tax expense

No provision for Malta tax has been made in these financial statements in view of the losses surrendered to the company by other group companies.

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

	2018	Period from 27 February to 31 December 2017
	€	€
Profit/(loss) for the year	1,584,265	(2,752,545)
Tax at 35%	554,493	(963,391)
Tax effect of:		
Disallowed expenses	118,494	38,659
Group loss relief	(521,905)	915,824
Unrecognised deferred tax	(151,082)	8,908
	-	-

17. Cash generated from operations

	Year ended 31 December	Period from 27 February to 31 December 2017
	€	€
Operating profit/(loss)	1,584,347	(2,252,545)
Adjustments for:		
Amortisation of intangible assets (Note 4)	206,667	29,451
Depreciation of property, plant and equipment (Note 5)	521,808	93,576
Share-based payment	318,782	96,823
Changes in working capital:		
Trade and other receivables	1,331,327	(1,978,859)
Trade and other payables	(1,245,483)	6,520,143
Cash generated from operations	2,717,448	2,508,589

During the year, the immediate parent company has waived amounts due to it by the Company amounting to EUR 3,065,700 which have been converted to a capital reserve. In addition, an exercise was carried out to offset intercompany balances, the result of which has resulted in a significant movement in trade and other receivables and trade and other payables.

18. Related party transactions

All companies forming part of Gaming Innovation Group, the shareholders and other companies controlled or significantly influenced by the shareholders, are considered by the director to be related parties as these companies are also ultimately owned by Gaming Innovation Group Inc.

Year-end balances owed by or to related undertakings, arising in respect of transactions and cash advances, are disclosed in notes 6 and 11.

GIG Central Services Ltd and fellow subsidiaries entered into an agreement for the purpose of sharing the conduct of their business for the pursuit of common business goals. The revenue share received in terms of the agreement is EUR 13,107,462.

19. Evenet after the reporting date

Impact of COVID-19 on the Group's and Company's operations and financial information

The assessment of the impact on the operations was performed at a Gaming Innovation Group level.

The occurrence of extraordinary events, such as natural disasters, and the outbreak of disease epidemics, has an adverse impact on the global economy, and may lead to a global recession. In early 2020, the existence of a new virus, now known as COVID-19, was confirmed, and since this time COVID-19 has spread across the world. COVID-19 has caused disruption to businesses and economic activity, which has also adversely impacted global stock markets. The Group considers the emergence and spread of COVID-19 to be a non-adjusting post balance sheet event. Given the inherent uncertainties, it is difficult to ascertain the impact of COVID-19 on the Group, or to provide a quantitative estimate of this impact. Management has however considered the potential impact, based on the known circumstances as at the date of reporting, and their assessment of potential future developments.

The Group closely monitored the progress of the Coronavirus (COVID-19) outbreak and introduced contingency measures to reduce the risk for its staff, and to ensure business continuity. The Group successfully deployed its Business Contingency Plan (BCP), and systems and operations continued to perform. The Group operates from various offices in several countries, and local measures have been adopted in line with recommendations made by the respective authorities.

The Group has a robust BCP to ensure continuity of operations and working from home is an integral part of day to day operations. Proactive steps were taken to advise employees to work from home prior to any announcements by governments. As part of the BCP, production environments require an extra level of approval to protect both the Group's business and its customers. COVID-19 did not result in disruption to the Group's operating model because of its agility.

Potential impact on Company outlook due to COVID-19

There is a risk that the prevailing unfavourable economic conditions due to the outbreak of COVID-19 could reduce online users' disposable incomes. Since the Company's business activity is to act as a cost centre for general costs which are then re-charged to its fellow sister companies, negative developments in the global economy dependent on external factors outside of the Company's control is not expected to impact the company's outlook.

20. Statutory information

GIG Central Services Ltd 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, Triq id-Dragunara, St. Julians, Malta. GIG Inc is the ultimate parent Company whose registered office is 10700 Stringfellow Rd, Suite 10, Bokeelia, FL 33922, USA.

Gaming Innovation Group plc prepares consolidated financial statements which are available at the registered office of GIG Central Services Ltd.

