GIG CENTRAL SERVICES LTD

Annual Report and Financial Statements
31 December 2019

Company Registration Number: C79753

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Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2019.

Principal activities

The main business activity of GIG Central Services Limited is to act as a cost centre for general costs and overheads which are incurred by the GIG Group.

Events 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 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.

Going Concern

As at 31 December 2019, the Company's current liabilities exceeded the current assets by €3,009,510 (2018: €839,228). The Company is therefore highly 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.

Directors' report - continued

Going Concern - continued

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.

Convertible Loan

On 18 December 2020, the ultimate parent company of the Company, Gaming Innovation Group Inc., has issued a subordinated convertible loan of EUR 8.5 million to two Nordic investment funds Formue Nord A/S & Symmetry Invest A/S. GiG foresees favourable market development opportunities for its target customer base as regulation and digitalisation of the gambling industry drives demand. The Group will use the proceeds from the convertible loan to expedite revenue generating activities and enhance future growth. Such funds will be used across a range of projects such as the continuing development of its omni-channel offering across casino and sportsbook, increase the long term speed to market, facilitating the sales pipeline and aiming for higher growth in Paid Media, along with the potential to act in the M&A space within Media Publishing department.

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 matures on 28 June 2022, and Nordic Trustee has approved the convertible loan structure as per the bond terms.

Directors' report - continued

Financial statements presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and in accordance with the Maltese Companies Act (Cap. 386). The accounting policies as adopted in the published results for the year ended 31 December 2019 have been consistently applied.

Overall company's performance

During the year revenues increased by 17.2% whilst also increasing operating expenses by 21.6%. This resulted in an overall increase in EBITDA from EUR 2.3 million in 2018 to EUR 4.4 million in 2019.

Net revenues

Net revenues in 2019 increased to EUR 15.4 million (2018: EUR 13.1 million) which is equivalent to an increase of 17.2%.

Marketing expenses

During 2019, marketing costs were EUR 0.07 million (2018: EUR 0.6 million).

Operating expenses

During 2019, total operating expenses increased when compared to previous year with total cost of EUR 14.0 million (2018: EUR 11.5 million). This includes depreciation and amortisation cost of EUR 3.1 million (2018: EUR 0.8 million) and EUR 4.3 million (2018: EUR 2.5 million) of personnel expenses. Operating expenses have increased mainly due to a significant increase in depreciation charge during the year mainly attributable to adoption of IFRS 16 (Note 4) and due to an increase in personnel expenses due to transfer of personnel from other Group companies to the Company (Note 14).

Profit from operations

Profit for the year 2019 amounted to EUR 0.6 million (2018: EUR 1.6 million).

Net finance costs

Net finance costs for 2019 were EUR 0.7 million (2018: EUR 82). The increase is due to adoption of IFRS 16 (Note 4).

Statement of financial position

As at 31 December 2019, net current liabilities and net assets of the Company amounted to EUR 13.2 million and EUR 2.8 million respectively.

Trade and other receivables increased to EUR 0.9 million from EUR 0.6 million in 2018 and trade and other payables also increased from EUR 2.2 million in 2018 to EUR 2.5 million.

Results and dividends

The financial results are set out on page 9. The directors did not declare a dividend during the year (2018: nil).

Directors' report - continued

Financial risk management

Information on the company's financial risk management is disclosed in Note 2 of the financial statements.

Directors

The directors of the Company who held office during the year were:

- Mr Justin Psaila (appointed on 6 June 2019)
- Richard Brown (appointed on 18 December 2019)
- Mr Robin Eirik Reed (resigned on 24 December 2019)

The company's Articles of Association do not require the directors to retire.

Statement of directors' responsibilities for the financial statements

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

In preparing the financial statements, the director is responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the company will continue in business as a going concern.

The directors are also responsible for designing, implementing and maintaining 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, and that comply with the Maltese Companies Act (Cap. 386). The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

Mr Richard Brown
Director

Mr Justin Psaila
Director

Registered office
@GIG Beach
Triq id-Dragunara
St. Julians
STJ 3148
Malta

22 December 2020

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 2019, 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 9 to 35, comprise:

- the statement of financial position as at 31 December 2019;
- 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.

pwc

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.

- 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

Romina Soler
Partner

22 December 2020

Statement of financial position

	Notes	As at 31 December 2019 €	2018 €
ASSETS			
Non-current assets			
Intangible assets	5	**1,434,287**	1,467,885
Right-of-use assets	4	**11,108,232**	-
Property, plant and equipment	6	**3,544,398**	2,185,533
Total non-current assets		**16,086,917**	3,653,418
Current assets			
Trade and other receivables	7	**781,625**	648,697
Cash at bank and other intermediaries	8	**114,888**	721,117
Total current assets		**896,513**	1,369,814
Total assets		**16,983,430**	5,023,232
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	9	**1,165**	1,165
Capital reserves	10	**2,867,448**	3,481,305
Accumulated losses		**(19,412)**	(668,280)
Total equity		**2,849,201**	2,814,190
Non-current liabilities			
Lease liabilities	4	**10,228,206**	-
Current liabilities			
Trade and other payables	12	**2,456,994**	2,209,042
Lease liabilities	4	**1,449,029**	-
Total current liabilities		**3,906,023**	2,209,042
Total equity and liabilities		**16,983,430**	5,023,232

The notes on pages 13 to 35 are an integral part of these financial statements.

The financial statements on pages 9 to 35 were authorised for issue on 22 December 2020 and were signed by:

Mr Richard Brown
Director

Mr Justin Psaila
Director

Statement of comprehensive income

	Notes	Year ended 31 December 2019 €	2018 €
Net Revenue		15,368,246	13,107,462
Operating expenses			
Personnel expenses	14	(4,255,587)	(2,491,129)
Depreciation and amortisation	4, 5, 6	(3,065,041)	(728,475)
Marketing, including commission		(67,640)	(556,411)
Other operating expenses	13	(6,619,196)	(7,747,100)
Total operating expenses		(14,007,464)	(11,523,115)
Operating profit		1,360,782	1,584,347
Finance cost	4, 15	(711,914)	(82)
Profit for the year		648,868	1,584,265

The notes on pages 13 to 35 are an integral part of these financial statements.

Statement of changes in equity

	Notes	Attributable to owners of the company			
		Share capital €	Capital reserves €	Accumulated losses €	Total €
Balance at 1 January 2018		1,165	96,823	(2,252,545)	(2,154,557)
Comprehensive income					
Profit for the year - total comprehensive income		-	-	1,584,265	1,584,265
Transactions with owners					
Value of employee services	10	-	318,782	-	318,782
Waiver of amounts due	10	-	3,065,700	-	3,065,700
Balance at 31 December 2018		1,165	3,481,305	(668,280)	2,814,190
Balance at 1 January 2019		1,165	3,481,305	(668,280)	2,814,190
Comprehensive income					
Profit for the year - total comprehensive income		-	-	648,868	648,868
Transactions with owners					
Value of employee services	10	-	47,054	-	47,054
Distribution	10	-	(660,911)	-	(660,911)
Balance at 31 December 2019		**1,165**	**2,867,448**	**(19,412)**	**2,849,201**

The notes on pages 13 to 35 are an integral part of these financial statements.

Statement of cash flows

	Notes	Year ended 31 December	
		2019	2018
		€	€
Cash flows from operating activities			
Cash generated from operations	17	3,702,807	2,717,448
Cash generated from operations		3,702,807	2,717,448
Cash flows from investing activities			
Purchase of intangible assets	5	(287,688)	(609,082)
Purchases of property, plant and equipment	6	(2,386,531)	(1,446,380)
Net cash used in investing activities		(2,674,219)	(2,055,462)
Cash flows from financing activities			
Lease liability principal payments	4	(1,634,817)	-
Net cash used in investing activities		(1,634,817)	-
Net movement in cash and cash equivalents		(606,229)	661,986
Cash and cash equivalents at beginning of year		721,117	59,131
Cash and cash equivalents at end of year	8	114,888	721,117

The notes on pages 13 to 35 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 2019, the Company's current liabilities exceeded the current assets by €3,009,510 (2018: €839,228). The Company is therefore highly 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.

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 period beginning on 1 January 2019.

The Company adopted IFRS 16 'Leases' and made retrospective adjustments with effect from 1 January 2019. The impact of the adoption of these standards and the new accounting policies are disclosed in Note 4 below. The other standards did not have any impact on the Company's accounting policies and did not require retrospective adjustments.

Impact of standards issued but not yet applied by the Company

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 period beginning after 1 January 2019. 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 there are no requirements that will have a possible significant impact on the Company's financial statements on the period of initial application.

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).

1. **Summary of significant accounting policies** - continued

1.3 Intangible assets - continued

(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.

1.4 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	3 - 5
Furniture & fittings	6
Computer and office equipment	3 - 5

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. Summary of significant accounting policies - continued

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.

1.6 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.

1. Summary of significant accounting policies - continued

1.6 Financial assets - continued

1.6.3 Measurement - continued

(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.

1.6.4 Impairment

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.

1.7 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. **Summary of significant accounting policies** - continued

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.

1.12 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:

1. **Summary of significant accounting policies** - continued

1.13 Share-based payments - continued

- 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.

1.14 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. The Company provides central services to group companies for which it charges cost plus markup. In line with IFRS 15, the Company recognises revenue when the performance obligation is satisfied 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.

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

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

1.15 Leases

As explained in note 1.1 above, the Company has changed its accounting policy for leases where the Company is the lessee. The new policy is described and the impact of the change is described in note 4.

Until 31 December 2018, leases in which a significant portion of the risks and rewards of ownership were not transferred to the Company as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease. Lease income from operating leases where the Company is a lessor was recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease were added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets were included in the balance sheet based on their nature. The Company did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

1. **Summary of significant accounting policies** - continued

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.

(b) Credit risk

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

	2019 €	2018 €
Financial assets at amortised cost:		
Cash at bank and other intermediaries (Note 8)	**114,888**	721,117
Amounts due from fellow subsidiaries (Note 7)	**195,531**	-
Amounts due from ultimate parent company (Note 7)	**-**	100,000
Other receivables (Note 7)	**30,495**	17,583
Exposure	**340,914**	838,700

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.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

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 2019 and 2018.

	2019	2018
	€	€
Loans and receivables:		
A+	14,835	73,368
BBB+	-	646,633
BBB-	99,116	-
Below BB or not rated	937	1,116
	114,888	721,117

(i) Impairment of financial assets

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

- other 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 monitors intra-group exposures at individual entity level on a regular basis and ensures timely performance of these assets in context of its overall liquidity management. The loss allowance for these financial assets are based on default risk assumptions and expected loss rates. As in included in note 1.1, the Group is facing liquidity pressures however, based on the appropriate recovery strategies that were in place the credit loss allowance charge required is deemed immaterial.

(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 9,930 (2018: EUR 1,831,271) and trade payables of EUR 783,696 (2018: EUR 2,572).

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 3,009,510 (2018: EUR 839,228). 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 1.1 for the liquidity pressures which the GIG Group are facing.

2. Financial risk management - continued

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 2019 and 2018 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. Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 Leases on the Company's financial statements and discloses the new accounting policy that has been applied from 1 January 2019.

The Company has adopted IFRS 16 retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard.

The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

(a) Adjustments recognised on adoption of IFRS 16

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 7%. The associated right-of-use assets for property leases were measured at the amount equal to the lease liability. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	As at 31 December 2019 €	As at 1 January 2019 €
Right-of-use assets		
Buildings	**11,108,232**	6,805,304
Lease liabilities		
Current	**1,448,797**	877,710
Non-current	**10,228,438**	5,927,594
	11,677,235	6,805,304

Additions to the right-of-use assets during the 2019 financial year were EUR 6,148,491.

4. Changes in accounting policies - continued

(ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	As at 31 December 2019 €	As at 31 December 2018 €
Depreciation charge of right-of-use assets	1,716,089	-
Interest expense (included in finance cost)	711,914	-
Expenses relating to short-term leases (included in other expenses)	11,670	-
Expenses relating to variable lease payments (included in other expenses)	200,723	-

The total cash outflow for leases was EUR 1,634,817.

	2019 €	2018 €
Maturity analysis - contractual undiscounted cash flows		
Less than one year	2,298,029	1,670,106
One to five years	9,791,146	6,286,443
	12,089,175	7,956,549

	2019 €
Operating lease commitments disclosed as at 31 December 2018	7,956,549
Add: lease commitments entered into as at 1 January 2019	7,955,757
Operating lease commitments in the scope of IFRS 16	
Discounted using the Company's incremental borrowing rate as at the date of initial application	6,816,974
Less: short-term leases recognised on a straight-line basis as expense	(11,670)
Lease liabilities recognised as at 1 January 2019	6,805,304
Of which are:	
Current lease liabilities	877,710
Non-current lease liabilities	5,927,594
	6,805,304

4. Changes in accounting policies - continued

Practical expedients applied

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Company's leasing activities and how these are accounted for

The Company leases various properties. Rental contracts are typically made for fixed periods of 1 to 8 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

4. Changes in accounting policies - continued

The Company's leasing activities and how these are accounted for - continued

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Extension and termination options

Extension and termination options are included in a number of properties across the Company. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

5. Intangible assets

	Computer software €	Trademarks €	Total €
Cost			
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
As at 1 January 2019	863,315	840,688	1,704,003
Additions	287,688	-	287,688
As at 31 December 2019	**1,151,003**	**840,688**	**1,991,691**
Accumulated depreciation			
As at 1 January 2018	29,451	-	29,451
Amortisation charge	206,667	-	206,667
As at 31 December 2018	236,118	-	236,118
As at 1 January 2019	236,118	-	236,118
Amortisation charge	321,286	-	321,286
As at 31 December 2019	**557,404**	-	**557,404**
Carrying amount			
As at beginning of period	224,782	840,688	1,065,470
As at 31 December 2018	627,197	840,688	1,467,885
As at 31 December 2019	593,599	840,688	**1,434,287**

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 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 2021 – 2023 (2018: 2020 – 2022), as well as an estimate of residual value. The residual value is based on the projected free cash flows to be generated in 2023 (2018: 2022) capitalised based on the pre-tax discount rate applied in the value-in-use calculation, net of the assumed growth rate. The growth rate is assumed at 2% (2018: 2%) based on the estimated long-term inflation rate. The pre-tax discount rate applied to the cash flow projections was 18% (2018: 15%).

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

6. Property, plant and equipment

	Computer and office equipment €	Furniture and fittings €	Installations and improvements to leasehold premises €	Total €
Cost				
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	**1,156,870**	**363,410**	**1,280,637**	**2,800,917**
As at 1 January 2019	1,156,870	363,410	1,280,637	2,800,917
Additions	767,139	176,244	1,443,148	2,386,531
As at 31 December 2019	**1,924,009**	**539,654**	**2,723,785**	**5,187,448**
Accumulated depreciation				
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	**375,422**	**76,788**	**163,174**	**615,384**
As at 1 January 2019	375,422	76,788	163,174	615,384
Depreciation charge	486,565	84,053	457,048	1,027,666
As at 31 December 2019	**861,987**	**160,841**	**620,222**	**1,643,050**
Net book value				
As at beginning of period	542,321	307,154	411,486	1,260,961
As at 31 December 2018	781,448	286,622	1,117,463	2,185,533
As at 31 December 2019	**1,062,022**	**378,813**	**2,103,563**	**3,544,398**

7. Trade and other receivables

	2019	2018
	€	€
Amounts due from fellow subsidiaries	195,531	-
Amounts due from ultimate parent company	-	100,000
Indirect taxation	-	66,695
Other receivables	30,495	17,583
Prepayments	555,599	464,419
	781,625	648,697

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

8. Cash and cash equivalents

	2019	2018
	€	€
Cash at bank and other intermediaries	114,888	721,117

9. Share capital

	2019	2018
	€	€
Authorised, issued and fully paid		
1,165 ordinary shares of EUR1 each	1,165	1,165
	1,165	1,165

10. Capital contribution reserve

	2019	2018
	€	€
At 1 January	3,481,305	96,823
Capital contribution arising on granting of share options by the ultimate parent company	47,054	318,782
Waiver of amounts payable	-	3,065,700
Distribution	(660,911)	-
At 31 December	2,867,448	3,481,305

During the year, the Company has waived amounts due to it by the ultimate parent company amounting to EUR 660,911 which is treated as a deemed distribution. In the preceding 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.

11. 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.

Share options granted

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

	2019		2018	
	Average exercise price in € per	**Options**	Average Exercise price in € per option	Options
Share options which were granted or converted into options of GIG Inc.				
At 1 January	5.03	191,136	4.20	186,000
At 31 December	4.14	287,000	5.03	191,136
Share options which were granted or converted into options of GIG Inc.				
Granted	3.00	110,000	6.26	30,000
Exercised	-	(20,136)	-	-
Tranferred to another subsidiary company within group	-	-	4.33	(150,000)
Tranferred from another subsidiary company within group	4.00	36,000	4.95	125,136
Forfeited during the year	6.00	(30,000)	-	-

Out of the 287,000 (2018: 191,136) outstanding options which were granted or converted into options of GIG Inc., 112,500 (2018: 33,000) options were exercisable.

Options which were converted into GIG Inc. shares, and exercised in 2019 resulted in 20,136 shares (2018: nil) being issued at a weighted average price of nil (2018: nil). The related weighted average share price at the time of exercise was EUR 2.07 (2018: nil) per share.

11. 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:
There were no share options which were not converted into options of GIG Inc, outstanding at the end of the current and prior periods.

Grant dates (range)	Vest dates (range)	Expiry dates (range)	Exercise prices in € per option (range)	Share options 2019	Share options 2018
			€	€	€
2014 - 2015	2016 -2019	January 2018 - January 2019	Nil	-	20,136
2016	2016 - 2020	May to Sept 2023	4.00 - 4.30	72,000	36,000
2017	2018 - 2020	December 2022	4.00 - 4.80	30,000	30,000
2017	2018 - 2020	June 2023	6.40 - 6.60	75,000	75,000
2018	2019 - 2021	January 2024	6.00 - 6.50	-	30,000
2019	2020 - 2022	March 2025	3.00	110,000	-
				287,000	191,136

Valuation of share options for the year ended 31 December 2019

The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was €0.89 (2018: €1.98) per option. The significant inputs into the model were weighted average share price of €3.01 (2018: €6.02) at the grant date, exercise price shown above, volatility of 65% (2018: 40%), dividend yield of 0% (2018: 0%), an expected option life of 2 (2018: 6) years and an annual risk-free interest rate of 0.91% (2018: 1.40%). The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over 3 years (2018: 3 years).

12. Trade and other payables

	2019	2018
	€	€
Trade payables	783,696	2,572
Indirect taxation and social security	1,260,888	124,924
Amounts due to fellow subsidiaries	9,930	1,831,271
Accruals and deferred income	402,480	250,275
	2,456,994	2,209,042

Amounts due to fellow subsidiaries are unsecured, interest free and repayable on demand.

13. Other operating expenses

	2019	2018
	€	€
Consultancy and professional fees	1,385,351	1,617,808
Operating leases	-	1,747,249
Other operating expenses	5,233,845	4,382,043
	6,619,196	7,747,100

Fees charged by the auditor for services rendered during the financial year ended 31 December 2019 and 2018 relate to the following:

	2019	2018
	€	€
Annual statutory audit	9,750	9,750
Tax advisory and compliance services	1,400	1,400
	11,150	11,150

14. Employee benefit expense

	2019	2018
	€	€
Gross wages and salaries	4,172,889	2,066,715
Less: employee costs capitalised as part of software development	(190,298)	-
Net wages and salaries, including other benefits	3,982,591	2,066,715
Social security costs	225,942	105,632
Share options granted to employees (Note 11)	47,054	318,782
	4,255,587	2,491,129

The average number of persons employed during the period:

	2019	2018
	€	€
Administrative	85	47

15. Finance cost

	2019	2018
	€	€
Other interest expense	**711,914**	82

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 before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	2019	2018
	€	€
Profit before tax	648,868	1,584,265
Tax at 35%	**227,104**	554,493
Tax effect of:		
Disallowed expenses	**140,235**	118,494
Group loss relief	**(302,630)**	(521,905)
Unrecognised deferred tax	**(64,709)**	(151,082)
	-	-

17. Cash generated from operations

	Year ended 31 December	
	€	€
Operating profit	**1,360,782**	1,584,347
Adjustments for:		
Depreciation on Right-of-use asset (Note 4)	**1,716,089**	-
Amortisation of intangible assets (Note 5)	**321,286**	206,667
Depreciation of property, plant and equipment (Note 6)	**1,027,666**	521,808
Share-based payment	**47,054**	318,782
Changes in working capital:		
Trade and other receivables	**(357,111)**	1,331,327
Trade and other payables	**(412,959)**	(1,245,483)
Cash generated from operations	**3,702,807**	2,717,448

Significant non-cash transactions

During the year, the Company has waived amounts due to it by the ultimate parent company amounting to EUR 660,911. In the preceding 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.

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 7 and 12.

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 15,368,246 (2018: EUR 13,107,462)

19. Events 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 Strigfellow 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.