

INNOVATION LABS LIMITED

Interim Financial Statements (Unaudited)
30 September 2021

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Statement of financial position

	€'000	€'000	€'000
	30 September 2021	30 September 2020	31 December 2020
Property, plant and equipment	38	78	66
Intangible assets	22,012	25,967	24,855
Financial assets	12,957	12,904	12,904
Non-current assets	35,007	38,950	37,825
Trade and other receivables	3,533	3,000	10,487
Amounts due from related parties	62,618	49,859	-
	66,151	52,859	10,487
Cash and cash equivalents	2,629	770	941
Total assets	103,787	92,579	49,253
	-	-	-
Other liabilities	53,645	54,037	13,993
Accruals	132	125	-
Trade and other payables	53,778	54,162	13,993
Share capital	1	1	1
Accumulated losses	31,741	20,149	16,991
Other reserves	18,267	18,267	18,267
Total equity	50,009	38,417	35,259
Total equity and liabilities	103,787	92,579	49,253

Statement of comprehensive income

	€'000	€'000	€'000
	30 September 2021	30 September 2020	31 December 2020
Net revenue	22,806	19,180	25,598
	-	-	-
Personnel expenses	(4,461)	(3,893)	(4,510)
Marketing	(1,957)	(1,431)	(1,964)
Other operating expenses	(2,694)	(1,471)	(3,694)
Total operating expenses	(9,112)	(6,795)	(10,167)
EBITDA	13,694	12,385	15,431
Depreciation and amortisation	(4,268)	(6,585)	(7,892)
EBIT	9,426	5,800	7,538
Financial income/expenses	6	(52)	(11)
Profit before tax	9,432	5,748	7,527
Tax expense	-	-	(2,651)
Profit after tax	9,432	5,748	4,876

Statement of cash flows

	€'000 30 September 2021	€'000 30 September 2020	€'000 31 December 2020
Cashflows from operating activities			
Result before income taxes	(9,432)	5,748	7,544
<i>Adjustment to reconcile result before tax to net cashflow:</i>			
	0	0	0
Amortisation of intangible assets	4,216	6,438	7,831
Depreciation	52	710	61
Impairment	0	0	10
Tax paid	0	2,651	0
Change in trade and other receivables	6,953	(92)	(7,588)
Change in trade and other payables	793	(14,419)	(6,110)
Net cash (used in)/generated from operating activities	2,583	1,037	1,748
Cashflow from investing activities			
Purchase of intangible assets	(841)	(699)	(1,234)
Purchase of property plant and equipment	(2)	0	(4)
Acquisition of a subsidiary	(53)	0	0
Net cash flows used in investing activities	(895)	(699)	(1,238)
Cashflows from financing activities			
	-	-	-
Net cash flows used in financing activities	-	-	-
Net increase in cash and cash equivalents	1,688	338	509
cash and cash equivalents at beginning of period	941	432	432
Cash and cash equivalents at the end of the period	2,629	770	941

Selected notes to condensed financial statements as of and for the periods ending 30 September 2021 and 2020

1. General Information

Innovation Labs Limited is a limited liability company and is incorporated in Malta.

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

The Company's principal activity is to attract users and direct traffic to other companies engaged in online activities and services through marketing, advertising, affiliation and client procurement techniques.

1.1 Basis of preparation

The condensed interim financial statements have been prepared in conformity with IAS 34 and do not include all the information required for full annual financial statements. The condensed interim financial statements for the periods ended 30 September 2021 and 2020 have not been audited by the Company's auditors.

These unaudited interim condensed financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The condensed financial statements report the six months of operations of both 2021 and 2020 of Innovation Labs Limited.

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

2. Summary of significant accounting policies

Accounting policies

The accounting policies adopted and used in preparing the condensed financial statements as of and for the periods ended 30 September 2021 and 2020 are consistent with those used in preparing the Company's financial statements as of and for the year ended 31 December 2020.

Revenue Recognition Policy

Revenue comprises the fair value of the consideration received or receivable for the supply of services in the ordinary course of the Company's activities. The Company recognizes revenue, including other operating revenue, when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and when specific criteria have been met as described below.

GiG Media Services

For a revenue share deal, the Company receives a share of the revenues that the gaming operator has generated as a result of a player playing on their iGaming site. Revenue is recognised in the month that it is earned by the respective gaming operator.

2. Summary of significant accounting policies – continued

GiG Media Services - continued

For a cost acquisition deal, a client pays a one-time fee for each player who deposits money on the client's site. Cost per acquisition contracts consist of a pre-agreed rate with the client. Revenue from such contracts is recognised in the month in which the deposits are made.

For a listing deal, a client pays a fixed fee to be listed and critically reviewed on the Company's websites. Such revenue is apportioned on an accrual basis over the term of the contract.

The Company's performance obligation in this respect can be viewed as a series of distinct performance obligations to stand ready to redirect players on a constant basis. Such contracts give rise to variable consideration from an IFRS 15 point of view since the revenues are not fixed at the outset. In view of the nature of the service provided as a monthly stand-ready obligation, the Company recognises the income in the month in which it has a contractual right to bill the iGaming operators. This results in a consistent approach to revenue recognition under IAS 18.

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.

Other

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.

Dividend income is recognised when the right to receive payment is established.

3. Standards, Interpretations and Amendments to Published Standards Effective in 2021

In 2021, the Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting periods beginning 1 January 2021. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Company's accounting policies.

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

4. Impairment of intangible assets

The Company reviews the carrying amounts of its tangible and intangible assets on an annual basis (or more frequently if events or changes in circumstances indicate a potential impairment) to determine if there are any indications that the assets have decreased in value. If any such indications exist, the recoverable amount is set to determine the need to recognise an impairment. When calculating the recoverable amount, future cash flows are discounted to present value using a discount rate before tax. If the recoverable amount is determined to be lower than the carrying amount an impairment is recorded through a charge to the statement of operations. No impairments were noted during 2021 or 2020.

5. Changes in equity

As at 30 September 2021, 1,200 shares were outstanding, where of the Company owned no treasury shares.

6. Borrowings

In prior years, the Company made borrowing from its immediate parent company, Gaming Innovation Group plc, for purchasing marketing affiliate sites. As at 30 September 2021, the borrowings amounted to €48.7m. Borrowings from the immediate parent company are unsecured, carry an interest rate of 7.29% per annum which is revised annually and are repayable on demand.

The immediate parent company have undertaken not to request amounts due unless alternative funds are made available to the company.

7. Litigation

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

8. Related party transactions

There were no material related party transactions in the first, second and third quarter 2021.

9. Subsequent events

There have been no material subsequent events after 30 September 2021.

10. Alternative performance measures

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

EBIT: Operating profit

EBITDA: Operating profit less depreciation and amortization

Gross profit: Operating revenue less cost of sales