IGAMINGCLOUD LIMITED

Annual Report and Financial Statements
31 December 2019

Company Registration Number: C48466

Directors' report

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

Principal activities

The Company has a Business to Business licence under the Malta Gaming Authority. The Company's principal activity is to carry on the business of developing, setting up, maintaining, managing, supporting, running, hosting, licensing and otherwise exploiting gaming platforms for remote gaming, including software and hardware components of such platforms whether for casino, sportsbook, poker or other games, and whether to be operated through internet, mobile or other interactive media, in accordance with such permits or licences as may be required by applicable law. The Company operates an eco-system where multiple odds providers and services can be integrated and where operators can choose to use the full service or part of the offering to match their specific, customised needs.

Revenue arises from the provision of software to Business to Customer operators and from a revenue share with a fellow subsidiary operating a white label model with various marketing entities.

In 2019, iGamingCloud defined where the Company wants to be in the future and evolved its strategy accordingly. The Company is becoming a leading partner in iGaming, supporting its partners in their journey and building market share by going from offline to online. This enables the Company's partners to extend their revenue potential by further monetising their landbased investment and brand awareness into the online space and product expansion into verticals such as online sports and casino.

The Company recognised in early 2019 that the regulation of unregulated markets, along with further restrictions imposed by regulated markets such as the UK and Sweden, effected the viability of the White Label model. In some markets, such as Spain and Italy, the upcoming regulation would prohibit the model altogether. The nature of the White Label model creates regulatory risks, in addition to further operational complexity, because the licence holder is responsible for all actions by the White Label in the said market.

The shift from the White Label model to Software as a Service model was motioned in 2019 with no additional White Labels being signed. At the end of 2019 all White Labels received communication that the White Label model would not be supported post December 2020 except for a couple of white labels which will be migrated in the following year. iGamingCloud is, however, committed to its partners on the platform and has offered support to White Labels who intend to get their own licence and move to the SaaS model.

Events after reporting date

Subsequent to year end, up to the signing date of these financial statements, the Company has concluded and signed six new agreements and one Head of Terms with business to customer operators for the provision of platform services where the majority are land based casinos transitioning to provide an online offering to their customers.

During 2019, a subsidiary of the Company, received a third party claim alleging that a restrictive covenant in a contractual arrangement has been breached. The amount claimed in terms of the said contract is significant. Subsequent to the year end, management engaged in negotiations and settled the claim. The Company has provided for the full settlement during 2019.

Directors' report – continued

Events after reporting date - continued

Impact of COVID-19 on the 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 as a result 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. Therefore, negative developments in the global economy dependent on external factors outside of the Company's control could adversely affect casino activity in the longer term. However, there could also be positive developments from a potential shift of gambling activity from offline brick and mortar casinos to online casinos.

This could affect revenues generated by the Company's business to customer clients which as a consequence affect the Company's revenues. The majority of the commercial contracts of the Company are either of a fixed fee nature or includes monthly minimum fees which reduces materially any possible negative effect on the Company's revenue.

The commercial model of the Company, together with the consumer demand surge during COVID-19 lockdowns for casino, have mitigated any negative impact on revenues during the period where sports activities were paused. COVID-19 has however slowed down the onboarding of new clients due to delays in the contracting process which although the impact is not material for 2020, has led management to re-forecast 2021 expected results.

Potential impact on asset value due to COVID-19

Management's assessment of the recoverable amount of intangible assets, including consideration of indicators of impairment relating to intangibles, was based on economic conditions, including equity market levels, that existed at 31 December 2019. Such assessment did not therefore contemplate the impact of COVID-19, which only emerged in 2020. However, the directors do not anticipate any further impairment in 2020 as a consequence of COVID-19.

Directors' report – continued

Going concern

As at 31 December 2019, the Company's current liabilities exceeded its current assets by €19.9m and reported losses of €28.4m for the year then ended (2018: €8.5m). 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. 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.

The Company acknowledges that pressures on liquidity will continue to prevail during 2020, especially until the prepaid platform fee of EUR 8.7 million received from Betsson as part of the B2C sale referred to below is exhausted. The directors expect the related contract to start to generate cash inflows in 2021. Management expects the Company's financial position 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. On this basis, the Directors continue to deem the going concern basis of preparation of these financial statements to be appropriate, when also considering the undertaking of the Group and its subsidiaries to continue to support the Company, and to not request amounts due amounting to €17.9m until sufficient funds are available. Having said that, there remains material uncertainty associated with the achievement of forecast earnings and cash flows when considering the Group's current liquidity pressures combined with the need to re-finance the Group's borrowings by June 2022, which may cast significant doubt on the Company's ability to continue as a going concern.

B2C sale

On 14 February 2020, 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 the Company. Betsson commits to initially keep the brands operational on the Company's platform for a minimum of 30 months. For the first 24 months, Betsson wil pay a premium fee based on the NGR generated.

On 16 April 2020, the Group completed the sale of its B2C Assets ot Betsson. GiG received EUR 33 million as consideration, including an upfront cash payment of EUR 22.3million relating to the acquisition, a prepaid platform fee of EUR 8.7 million, EUR 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.

Whilst the company's principal activities are unchanged after this transaction, Betsson, through the SPA agreement, will become a long-term partner of the Company, generating revenues to the Company. Betsson commits to initially keep the brands operational on the Company's platform for a minimum of 30months. For the first 24 months, Betsson will pay a premium platform fee based on revenue generated.

Overall Company's performance

The Company experienced a decline in net revenues of 78.8% and operating expenses increased by 23.6%. Due to this, EBITDA has decreased from a loss of EUR 3.8 million in 2018 to a loss of EUR 18.9 million. EBITDA is equivalent to operating profit before depreciation and amortisation and impairment loss.

Directors' report – continued

Overall Company's performance - continued

The main driver contributing to the decrease of 78.8% in net revenues is the termination of one the Company's customer contracts. The ultimate parent Company had communicated during its 2018 Q3 report its priority to grow long term in regulated and soon-to-be regulated markets and hence the Company decided to terminate one of its customer contracts which could potentially harm this development.

In September 2019, the Company took a strategic decision to halt investments in building its proprietary game studio 'GiG Games'. The rationale behind this decision is to reduce OPEX as revenues generated from this operation was immaterial, to reduce complexity and to concentrate focus on key strategic areas, developing the technology and product to enable the full business potential as 'The global partner and operator for strong brands in iGaming'. This action leads to cash savings building to approximately EUR 0.25 million per month once the full effect is realised.

The increase in operating expenses is mainly driven by the increase in personnel cost relating to the Company's proprietary games studio together with impairment losses of EUR 2.1 million relating to the closure of the proprietary games studio and other units and EUR 1.5 million impairment loss recognised in relation to one of the Company's subsidiary.

Net revenues

Net revenues in 2019 decreased to EUR 3.8 million (2018: EUR 17.8 million) which is equivalent to a decrease of 78.8%. The decrease is mainly attributable to discontinuation of a major client in 2018, which had contributed to EUR 10.0 million revenues during 2018 together with a reduction of revenues generated from the current client portfolio.

Operating expenses

During 2019, total operating expenses increased when compared to the previous year with a total cost of EUR 32.2 million (2018: EUR 26.0 million). This includes depreciation and amortisation cost of EUR 5.9 million (2019: EUR 4.5 million), EUR 6.1 million (2018: EUR 5.7 million) of personnel expenses and EUR 3.6 (2018: nil) of impairment loss. The increase in operating expenses is mainly driven by the increase in personnel cost relating to the Company's proprietary games studio together with impairment losses of EUR 2.1 million relating to the closure of the proprietary games studio and other units.

Loss from operations

Loss before tax for the year 2019 amounted to EUR 28.4 million (2018: EUR 8.3 million).

Statement of financial position

The Company's net asset position reduced from EUR 9.4 million in 2018 to a net liability position of EUR 15.7 million in 2019 which was a result of the loss in 2019 amounting to €28.4m. During the year, related group undertakings waived balances due by the Company amounting to EUR 3,641,079 and converted the amount to a capital contribution reserve. The waiver resulted in a corresponding improvement in the net asset position which was set off by the loss for the year resulting in the Company's net liability position.

Significant risks and uncertainties

It is the Company's view that the responsibility for compliance with laws and regulations rests with the customer. Although gaming laws and regulations of many jurisdictions do not specifically apply to the supply of B2B services, certain countries have sought to regulate or prohibit the supply of such services. The Company may therefore be subject to such laws, directly or indirectly. The Company mitigates this risk through monitoring of legal developments, contractual arrangements, and by seeking external advice to assist with the assessment of risk exposures as appropriate.

Directors' report – continued

Significant risks and uncertainties - continued

Outside the European Union the regulatory frameworks are more fragmented. Regulatory developments in the online gaming sector and their implications for the Company are uncertain and government authorities could make assessments and decisions that differ from the Company's understanding or interpretation.

This evolving environment makes compliance an increasingly complex area with the risk of non-compliance with territory specific regulations, including responsible gambling and anti-money laundering obligations. These uncertainties represent a risk for the Company's ability to develop and grow the business, as changes in legislation or enforcement practices could force the group to exit markets, or even result in financial sanctions, litigation, licence withdrawal, or unexpected tax exposures, which have not duly been provided for in these financial statements.

Pledged securities

The Company has pledged its issued share capital with a nominal value of EUR0.01 which is owned by the immediate parent and this has been pledged to Nordic Trustee ASA, acting as the agent on behalf of bond holders.

Results and dividends

The statement of comprehensive income is set out on page 12. The directors did not declare a dividend during the current and preceding financial years.

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 Jan Mikael Angman (resigned on 8 May 2019)
- Mr Robin Eirik Reed (resigned on 24 December 2019)
- Mr Justin Psaila (appointed on 8 May 2019)
- Richard Brown (appointed on 18 December 2019)

Statement of directors' responsibilities for the financial statements

The Company's Articles of Association do not require the director to retire.

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 directors are 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.

Directors' report – continued

Statement of directors' responsibilities for the financial statements - continued

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. The financial statements for iGamingCloud Limited for the year ended 31 December 2019 are published in hard-copy printed form. The directors are also responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over and security of the website. Access to the information published on the Company's website is available in other countries and jurisdictions where legislation governing the presentation and dissemination of financial statements may differ from requirements or practices in Malta.

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 Office,
Triq Id-Dragunara,
St Julians, STJ 3148
Malta

12 November 2020

Independent auditor's report

To the Shareholders of IGAMINGCLOUD LIMITED

Report on the audit of the financial statements

Our opinion

In our opinion:

- IGAMINGCLOUD LIMITED'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

iGamingCloud Limited's financial statements, set out on pages 11 to 38, 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.

Material uncertainty relating to going concern

We draw attention to Note 1.1 to these financial statements, which indicates that the Company is in a net current liability position of €19.9m as at 31 December 2019, and dependent on the Group that it forms part of, which currently faces liquidity pressures. The directors describe that the Company's ability to continue as a going concern depends on the Group's and the Company's achievement of forecast earnings and cash flows, as well as the success of the re-financing of the Group. These conditions, along with other matters explained in Note 1.1 to the financial statements, indicate the existence of material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. 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 Director's 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 IGAMINGCLOUD LIMITED

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

12 November 2020

Statement of financial position

	Notes	As at 31 December 2019 €	2018 €
ASSETS			
Non-current assets			
Intangible assets	5	**3,225,381**	5,432,031
Property, plant and equipment	4	**511,224**	844,394
Investments in subsidiaries	6	**9,000**	1,459,000
Deferred income tax asset	12	**427,564**	427,564
Trade and other receivables	7	-	500,000
Total non-current assets		**4,173,169**	8,662,989
Current assets			
Trade and other receivables	7	**2,984,753**	2,632,251
Cash at bank and other intermediaries	8	**100,416**	129,892
Total current assets		**3,085,169**	2,762,143
Total assets		**7,258,338**	11,425,132
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	9	**40,000**	40,000
Capital reserves	10	**15,364,958**	12,096,331
Merger reserve	11	**(1,856,869)**	(1,856,869)
Accumulated losses		**(29,269,239)**	(877,663)
Total equity		**(15,721,150)**	9,401,799
Current liabilities			
Trade and other payables	14	**22,979,488**	2,023,333
Total current liabilities		**22,979,488**	2,023,333
Total equity and liabilities		**7,258,338**	11,425,132

The notes on pages 15 to 38 are an integral part of these financial statements.

The financial statements on pages 10 to 38 were authorised for issue by the Board on 12 November 2020 and were signed on its behalf by:

Mr Richard Brown
Director

Mr Justin Psaila
Director

Statement of comprehensive income

	Notes	Year ended 31 December 2019 €	2018 €
Net revenue		**3,779,883**	17,791,892
Operating expenses			
Personnel expenses	17	**(6,112,426)**	(5,699,776)
Depreciation and amortisation	4, 5, 6	**(5,923,754)**	(4,475,248)
Impairment losses	4, 5	**(3,587,525)**	-
Other operating expenses	16	**(16,584,803)**	(15,880,395)
Total operating expenses		**(32,208,508)**	(26,055,419)
Operating loss		**(28,428,625)**	(8,263,527)
Finance income	18	**37,063**	32
Finance costs	19	**(5)**	(40)
Loss before tax		**(28,391,567)**	(8,263,535)
Tax expense	20	**(9)**	(203,091)
Loss for the year		**(28,391,576)**	(8,466,626)

The notes on pages 15 to 38 are an integral part of these financial statements.

Statement of changes in equity

	Note	Attributable to owners of the company				
		Share capital	**Capital reserves**	**Merger reserve**	**Accumulated losses**	**Total**
		€	**€**	**€**	**€**	**€**
Balance at 1 January 2018		1,200	598,753	-	7,588,963	8,188,916
Comprehensive income						
Loss for the year - total comprehensive income		-	-	-	(8,466,626)	(8,466,626)
Transactions with owners						
Increase in share capital	9	38,800	-	-	-	38,800
Merger reserve created upon business combinations	11	-	-	(1,856,869)	-	(1,856,869)
Waiver of amounts due	10		11,317,587	-		11,317,587
Value of employee services	10	-	179,991	-	-	179,991
Balance as at 31 December 2018 and 1 January 2019		40,000	12,096,331	(1,856,869)	(877,663)	9,401,799
Comprehensive income						
Loss for the year - total comprehensive income		-	-	-	(28,391,576)	(28,391,576)
Transactions with owners						
Waiver of amounts due	10	-	3,641,079	-		3,641,079
Value of employee services	10	-	(372,452)	-	-	(372,452)
		-	3,268,627	-	-	3,268,627
Balance at 31 December 2019		**40,000**	**15,364,958**	**(1,856,869)**	**(29,269,239)**	**(15,721,150)**

The notes on pages 15 to 38 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	21	**5,454,920**	6,305,021
Interest received		**37,063**	32
Tax paid		-	(203,091)
Cash generated from operations		**5,491,983**	6,101,962
Cash flows from investing activities			
Purchase of intangible assets	5	**(5,516,387)**	(6,096,382)
Purchase of property, plant and equipment	4	**(5,072)**	(37,173)
Net cash used in investing activities		**(5,521,459)**	(6,133,555)
Cash flows from financing activities			
Proceeds from the issuance of ordinary shares	9	-	38,800
Net cash generated from financing activities		-	38,800
Net movement in cash and cash equivalents		**(29,476)**	7,207
Cash and cash equivalents at beginning of year		**129,892**	92,133
Cash and cash equivalents received upon business combinations		-	30,552
Cash and cash equivalents at end of year	8	**100,416**	129,892

The notes on pages 15 to 38 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), and in accordance with the requirements of the said Act. A parent (Note 24) prepares consolidated financial statements in a manner equivalent to that required by the Maltese Companies Act (Cap. 386) and these are delivered to the Registrar of Companies in Malta. Accordingly, IGamingCloud Limited is exempt from the preparation of consolidated financial statements by virtue of Section 174 of the Maltese Companies Act (Cap. 386). These financial statements 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 directors 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 its current assets by €19.9m and reported losses of €28.4m for the year then ended (2018: €8.5m). 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. 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.

The Company acknowledges that pressures on liquidity will continue to prevail during 2020, especially until the prepaid platform fee of EUR 8.7 million received from Betsson as part of the B2C sale referred to below is exhausted. The directors expect the related contract to start to generate cash inflows in 2021. Management expects the Company's financial position 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. On this basis, the Directors continue to deem the going concern basis of preparation of these financial statements to be appropriate, when also considering the undertaking of the Group and its subsidiaries to continue to support the Company, and to not request amounts due amounting to €17.9m until sufficient funds are available. Having said that, there remains material uncertainty associated with the achievement of forecast earnings and cash flows when considering the Group's current liquidity pressures combined with the need to re-finance the Group's borrowings by June 2022, which may cast significant doubt on the Company's ability to continue as a going concern.

1 Summary of significant accounting policies – continued

1.1 Basis of preparation – continued

Going concern - continued

B2C sale

On 14 February 2020, 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 the Company. Betsson commits to initially keep the brands operational on the Company's platform for a minimum of 30 months. For the first 24 months, Betsson will pay a premium fee based on the NGR generated.

On 16 April 2020, the Group completed the sale of its B2C Assets to Betsson. GiG received EUR 33 million as consideration, including an upfront cash payment of EUR 22.3million relating to the acquisition, a prepaid platform fee of EUR 8.7 million, EUR 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.

Whilst the company's principal activities are unchanged after this transaction, Betsson, through the SPA agreement, will become a long-term partner of the Company, generating revenues to the Company. Betsson commits to initially keep the brands operational on the Company's platform for a minimum of 30months. For the first 24 months, Betsson will pay a premium platform fee based on revenue generated.

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 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 Business combinations

Business combinations between entities under common control, which do not fall within the scope of IFRS 3, are accounted for using predecessor method of accounting. Under the predecessor method of accounting, assets and liabilities are incorporated at the predecessor carrying values which are the carrying amounts of assets and liabilities of the acquired entity from the financial statement amounts of the acquired entity.

No new goodwill arises in predecessor accounting, and any differences between the consideration given and the aggregate book value of the assets and liabilities (as of the date of the transaction) of the acquired entity, is included in equity in a separate reserve. The financial statements incorporate the acquired entities' results and balance sheet prospectively from the date on which the business combination between entities under common control occurred.

1. Summary of significant accounting policies - continued

1.3 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. 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. The Company's accounting policy is to present all exchange differences within finance income or finance costs including exchange differences arising on cash and cash equivalents and amounts due from payment providers.

1.4 Intangible assets

(a) Licenses

Separately acquired licenses are shown at historical cost. The majority of separately acquired licenses have an definite useful life. The useful life of licenses is determined in relation to the term of the license agreement, which is three years.

(b) Gaming software

Acquired computer software and platforms are capitalised on the basis of the costs incurred to acquire and bring to use these assets. These costs are amortised over their estimated useful lives of 3 years or, in the case of computer software, over the term of the license agreement, if different.

Acquired computer software and platforms are capitalised on the basis of the costs incurred to acquire and bring to use these assets. These costs are amortised over their estimated useful lives of three years or, in the case of computer software, over the term of the licence agreement, if different.

- 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.

Directly attributable costs that are capitalised as part of these intangible assets include the development employee costs.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

1. Summary of significant accounting policies – continued

1.4 Intangible assets - continued

(b) Trademarks

Separately acquired trademarks are shown at historical cost. They have a finite useful life of one to three years and are subsequently carried at cost less accumulated amortisation and impairment losses.

1.5 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
Furniture and fittings	6
Computer and office equipment	3
Installations and improvement to leasehold premises	6

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 1.8).

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

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. Summary of significant accounting policies - continued

1.6 Financial assets - continued

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. There are three measurement categories 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 a 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 losses 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 Investments in subsidiaries

Investments in subsidiaries are accounted for by the cost method of accounting, i.e. at cost less impairment. Provisions are recorded where, in the opinion of the directors, there is an impairment in value. Where there has been an impairment in the value of an investment, it is recognised as an expense in the period in which the diminution is identified.

The results of the subsidiaries are reflected in the financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

1. Summary of significant accounting policies - continued

1.8 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.

1.9 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.

1.10 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.

1.11 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.

1.12 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. Summary of significant accounting policies - continued

1.13 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.

1.14 Borrowings

Borrowings are recognised initially at the fair value of proceeds received, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

1.15 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. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

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.

1.16 Capital reserves

Included within capital reserves is the capital contribution reserve. This reserve increases in net assets from shareholders, representing contributions for which the Company has no obligation to be repaid and thus are recorded in equity. Likewise reductions arising from distributions to shareholders, whether in the form of dividends or otherwise, are deducted directly from equity.

1. Summary of significant accounting policies - continued

1.17 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 Company's ultimate parent 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.

1.18 Revenue recognition

In contracting with white label operators, the Company considers that it is acting as an intermediary between the third party platform and the related service providers. On this basis revenue is recognised net of payments made to service providers.

In contracting with own license operators, the Company generates revenue by entering into a revenue share deal or a fixed deal where such revenue is apportioned on an accrual basis over the whole term of the contract. The consideration for such services is generally split between an initial setup to configure the software as per the customer's requirements and on-going charge invoiced monthly.

The uncertainty on the amount of revenue to be received is resolved at each calendar month-end since the contracts are such that the amounts reset to zero on a monthly basis. Accordingly, it would be appropriate for the Company to recognise the monthly amounts invoiced in P&L.

The initial set-up fees are not seen as a distinct PO as the customer cannot benefit from the set-up itself but for the agreement as a whole. Accordingly, the set-up fee is simply seen as being part of the consideration receivable for the software as a service (SAAS) agreement and should therefore be deferred over the period of the agreement. Management performed a detailed analysis of such impact and concluded that this has an immaterial effect for the Company.

1. Summary of significant accounting policies - continued

1.19 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 (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 and preceding 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 operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the GBP and the USD. 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 table below summarises the Company's exposure to foreign currencies, other than the functional currency, as at 31 December 2019 and 2018.

	Assets
	€
As at 31 December 2019	
GBP	**45,512**
USD	**12,271**
	57,783

	Liabilities
	€
As at 31 December 2018	
GBP	23,549
USD	98,180
	121,729

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 period is not deemed necessary.

(b) Credit risk

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

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk – continued

	2019	2018
	€	€
Financial assets at amortised cost:		
Amounts due from fellow subsidiaries (Note 7)	**423**	423
Cash at bank and other intermediaries (Note 8)	**100,416**	129,892
Trade and other receivables (Note 7)	**474,843**	1,176,587
Amounts due from related parties	**500,000**	500,000
Exposure	**1,075,682**	1,806,902

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 concentration 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 2019 and 2018.

	2019	2018
	€	€
A+	**99,110**	78,797
BBB	**1,306**	43,516
Not rated	-	7,579
	100,416	129,892

(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
- 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. The expected loss rates are based on the payment profiles of sales over a period of 12 months before 31 December 2019 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The directors expect to recover the trade receivables in full based on the payment profiles. Any impairment loss would be immaterial.

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 trade payables of EUR 1,311,295 (2018: EUR 267,578), other payables of nil (2018: EUR 138,194), amounts due to subsidiaries of EUR 17,922,054 (2018: nil) and indirect taxation and social security of EUR 1,285,501 (2018: EUR 467,975).

As at 31 December 2019, the Company's current liabilities exceeded its current assets by €19.9m and reported losses of €28.4m for the year then ended (2018: €8.5m). 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. 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.

The Company acknowledges that pressures on liquidity will continue to prevail during 2020, especially until the prepaid platform fee of EUR 8.7 million received from Betsson as part of the B2C sale referred to below is exhausted. The directors expect the related contract to start to generate cash inflows in 2021. Management expects the Company's financial position 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. On this basis, the Directors continue to deem the going concern basis of preparation of these financial statements to be appropriate, when also considering the undertaking of the Group and its subsidiaries to continue to support the Company, and to not request amounts due amounting to €17.9m until sufficient funds are available. Having said that, there remains material uncertainty associated with the achievement of forecast earnings and cash flows when considering the Group's current liquidity pressures combined with the need to re-finance the Group's borrowings by June 2022, which may cast significant doubt on the Company's ability to continue as a going concern.

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 cash at bank, 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 as referred to in Note 21 to these financial statements.

4. Property, plant and equipment

	Computer and office equipment €	Furniture and fittings €	Installations and improvements to leasehold premises €	Total €
Cost				
As at 1 January 2018	883,789	126,461	460,036	1,470,286
Acquisitions upon merger	1,190	-	1,365	2,555
Additions	37,173	-	-	37,173
As at 31 December 2018	922,152	126,461	461,401	1,510,014
As at 1 January 2019	922,152	126,461	461,401	1,510,014
Additions	4,149	-	923	5,072
As at 31 December 2019	**926,301**	**126,461**	**462,324**	**1,515,086**
Accumulated depreciation				
As at 1 January 2018	192,963	30,538	77,628	301,129
Depreciation charge	238,617	24,469	101,405	364,491
As at 31 December 2018	431,580	55,007	179,033	665,620
As at 1 January 2019	431,580	55,007	179,033	665,620
Depreciation charge	209,848	24,470	101,047	335,365
Impairment losses	2,877	-	-	2,877
As at 31 December 2019	**644,305**	**79,477**	**280,080**	**1,003,862**
Net book value				
As at 1 January 2018	690,826	95,923	382,408	1,169,157
As at 31 December 2018	490,572	71,454	282,368	844,394
As at 31 December 2019	**281,996**	**46,984**	**182,244**	**511,224**

5. Intangible assets

	Licences	Gaming software	Trademarks	Total
	€	€	€	€
Cost				
As at 1 January 2018	497,651	4,206,890	9,600	4,714,141
Acquisitions upon merger	-	710,086	-	710,086
Additions	256,528	5,834,304	5,550	6,096,382
As at 31 December 2018	754,179	10,751,280	15,150	11,520,609
As at 1 January 2019	754,179	10,751,280	15,150	11,520,609
Additions	732,113	4,777,424	6,850	5,516,387
As at 31 December 2019	**1,486,292**	**15,528,704**	**22,000**	**17,036,996**
Accumulated depreciation				
As at 1 January 2018	228,111	1,749,710	-	1,977,821
Amortisation charge	349,040	3,760,286	1,431	4,110,757
As at 31 December 2018	577,151	5,509,996	1,431	6,088,578
As at 1 January 2019	577,151	5,509,996	1,431	6,088,578
Amortisation charge	363,800	5,217,320	7,269	5,588,389
Impairment losses	18,805	2,102,543	13,300	2,134,648
As at 31 December 2019	**959,756**	**12,829,859**	**22,000**	**13,811,615**
Carrying amount				
As at 1 January 2018	269,540	2,457,180	9,600	2,736,320
As at 31 December 2018	177,028	5,241,284	13,719	5,432,031
As at 31 December 2019	**526,536**	**2,698,845**	-	**3,225,381**

During 2019, the Group discontinued the games studio, which resulted in an impairment charge recognised in the Company of EUR 1.1 million. Other assets were also impaired by EUR 1.0 million.

6. Investment in subsidiary

	2019	2018
	€	€
As at 1 January	**1,459,000**	9,000
Capital contributions	-	1,450,000
Impairment loss	**(1,450,000)**	-
As at 31 December	**9,000**	1,459,000

	2019	2018
	€	€
As at 31 December	**9,000**	1,459,000

The principal subsidiaries are the following:

Subsidiary	Registered office	Class of shares held	Percentage of voting rights held directly by parent 2019 %	2018 %
IGamingCloud NV	Dr. M. J. Hugenholtzweg, Z/N UTS, Gebouw Curacao	Ordinary shares	**100**	100
IGamingCloud SLU	UBB.Cortijo Blanco (c/Picasso) 14 Grupo Golondrinas, Casa 10, San Pedro De Alcantara, 29670, Marbella, Malaga	Ordinary shares	**100**	100
IGamingCloud Inc	99 Wood Avenue South 4th Floor, Iselin, New Jersey 08830, UAS	Ordinary shares	**100**	100
IGamingCloud Ltd Gibraltar	143 Main Street, Suite 2B Gibraltar GX11 1AA		**100**	100

During 2018, the Company had capitalised amounts due from its subsidiaries for an amount of EUR 1,450,000 and as a result increased its investment in subsidiaries by the same amount. In 2019, this investment in subsidiary was fully impaired and an impairment loss of €1,450,000 was recognised.

7. Trade and other receivables

	2019	2018
	€	€
Non-current		
Amounts due from related parties	-	500,000
Current		
Trade receivables	**408,867**	1,140,338
Amounts due from fellow subsidiaries	**423**	423
Other receivables	**65,976**	36,249
Indirect taxation	**1,929,635**	1,265,109
Prepayments	**579,852**	190,132
	2,984,753	2,632,251

The amounts due from fellow subsidiaries are interest free and repayable on demand.

8. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	2019	2018
	€	€
Cash at bank and other intermediaries	**100,416**	129,892

9. Share capital

	2019	2018
	€	€
Authorised, issued and fully paid		
3,999,900 ordinary 'A' shraes of EUR0.01 each	**39,999**	39,999
100 ordinary 'B' shraes of EUR0.01 each	**1**	1
	40,000	40,000

The ordinary ‘B’ shares shall not carry a right to receive dividends but in all other matters shall rank pari passu with the ordinary ‘A’ shares.

10. Capital contribution reserve

	2019	2018
	€	€
At 1 January	**12,096,331**	598,753
Waiver of amounts payable	**3,641,079**	11,317,587
Capital contribution arising on granting of share options by the ultimate parent company	**(372,452)**	179,991
At 31 December	**15,364,958**	12,096,331

During the year, the ultimate and immediate parent companies have waived amounts due to them by the Company amounting to EUR 15,613 (2018: EUR 474,404) and EUR 3,625,466 (2018: EUR 10,843,183) respectively and converted to a capital contribution reserve.

The capital contribution reserve is a non-distributable reserve.

11. Merger reserve

	2019	2018
	€	€
At 1 January	**(1,856,869)**	-
Reserve created upon business combination	-	(1,856,869)
At 31 December	**(1,856,869)**	(1,856,869)

During 2018, two mergers have been carried out. The merger reserve recognised in the Company relates to the mergers of Gridmanager Limited and BettingCloud Limited into the Company.

12. Deferred tax

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 income taxes relate to the same fiscal authority.

The movement on the deferred income tax account is as follows:

	2019	2018
	€	€
As at 1 January and 31 December	**427,564**	427,564

12. Deferred tax - continued

Deferred taxation is calculated on temporary differences until the liability method using the principal tax rate within the relevant jurisdiction. The year-end balance comprises temporary differences arising on:

	2019 €	2018 €
Difference between the tax base and carrying amounts of tangible assets	**(22,401)**	(22,401)
Difference between the tax base and carrying amounts of intangible	**(109,211)**	(109,211)
Trading losses	**559,176**	559,176
	427,564	427,564

As at 31 December 2019, the Company also had unrecognised unutilised tax credits amounting to EUR 9,881,512 (2018: EUR 1,533,139) arising from unabsorbed tax losses, group relief of EUR 248,056 (2018: EUR 248,056) capital allowances, and temporary differences arising from intangible assets and property, plant and equipment amounting to EUR 1,407,292 (2018: EUR 231,125). These give rise to a net deferred tax asset for the Company amounting to EUR 11,536,860 (2018: EUR 2,012,320), which is not recognised in these financial statements.

13. Share based payments

Share options are granted to selected employees, as well as to consultants. Al options are conditional on the employees and the consultants completing a specified number of years' service (the vesting period); certain options are also conditional on the Group achieving certain earnings targets. The options are exercisable starting between 1 and 5 years from the grant date. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

(a) Share options granted

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

	2019 Average exercise price in € per option	Options	2018 Average Exercise price in € per option	Options
Share options which were granted or converted into options of GIG Inc.				
At 1 January	**3.25**	**582,681**	0.80	578,787
At 31 December	**5.00**	**120,000**	3.25	582,681
Share options which were granted or converted into options of GIG Inc.				
Granted	**3.00**	**60,000**	7.27	60,000
Transferred from another subsidiary company within the group	-	-	3.25	366,079
Forefeited	**4.00**	**(309,611)**	3.13	(77,690)
Exercised	**0.10**	**(213,070)**	0.25	(374,495)
Options from merger with another subsidiary company within the group	-	-	1.55	30,000

13. Share based payments – continued

(a) Share options granted - continued

Out of the 120,000 outstanding options which were granted or converted into option of GIG Inc. (2018: 582,681) 12,000 (2018: 83,000) were exercisable.

Options which were converted into GIG Inc shares and exercised in 2019 resulted in 213,070 shares (2018: 374,495) being issued at a weighted average price of EUR 0.10 (2018: EUR 0.25). The related weighted average share price at the time of exercise was EUR 2.16 (2018: 5.36) per share.

Share options which were granted or converted into options of GIG Inc., outstanding at the end of the year, have the following expiry date and exercise prices:

Grant dates (range)	Vest dates (range)	Expiry dates (range)	Exercise prices in option (range) €	Share options 2019	2018
2014-2015	2017-2019	31 January 2017 - 31 January 2019	Nil	-	222,681
2016	2020	January 2023	1.50	-	20,000
2016	2018-2020	May to Sept 2023	4.00 - 4.30	-	250,000
2017	2018-2020	December 2022	4.50 - 4.80	-	30,000
2018	2019-2021	March 2024	6.00 - 6.50	30,000	30,000
2018	2019-2021	March 2024	7.50	30,000	30,000
2019	2019-2022	March 2025	3.00	60,000	-
				120,000	**582,681**

(c) 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 €0.13 (2018: €1.98) per option. The significant inputs into the model were weighted average share price of €1.34 (2018: €6.02) at the grant date, exercise price shown above, volatility of 55% (2018: 40%), dividend yield of 0% (2018: 0%), an expected option life of 3 (2018: 6) years and an annual risk-free interest rate of 1.37% (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 the last 3 years (2018: 3 years).

14. Trade and other payables

	2019	2018
	€	€
Trade payables	**1,311,295**	267,578
Other trade payables	-	138,194
Amounts due to subsidiary	**17,922,054**	-
Accruals and deferred income	**2,460,638**	1,149,586
Indirect taxation and social security	**1,285,501**	467,975
	22,979,488	2,023,333

The amounts due to subsidiary is unsecured, interest free and repayable on demand. Amounts due to subsidiaries increased significantly following a reassignment exercise of intercompany balances across the group.

15. Expenses by nature

	2019	2018
	€	€
Platform fees	**369,952**	1,936,128
Consultancy fees	**5,127,430**	5,751,161
Legal fees	**467,447**	685,107
Gaming taxes	-	37,033
IT expenses	**3,968,347**	2,840,340
Other operating expenses	**6,651,627**	4,630,626
	16,584,803	15,880,395

Fees charged by the auditor for services rendered during the financial year ended 31 December 2019 (exclusive of VAT) are shown in the table below.

	2019	2018
	€	€
Tax advisory and compliance services	**1,500**	1,400
Other	**150**	150
	1,650	1,550

In the current and preceding year, audit fees were borne by a fellow subsidiary.

16. Employee benefit expense

	2019 €	2018 €
Gross wages and salaries	**8,917,612**	8,034,412
Less: employee costs capitalised as part of software development	**(4,369,955)**	(5,178,730)
Net wages and salaries, including other benefits	**4,547,657**	2,855,682
Salary recharges	**1,531,684**	2,322,921
Social security costs	**405,537**	341,182
Share options granted to employees (Notes 10 and 13)	**(372,452)**	179,991
	6,112,426	5,699,776

The average number of persons employed during the year:

	2019	2018
Administrative	**161**	172

17. Finance income

	2019 €	2018 €
Interest income on bank deposits	**37,063**	32

18. Finance costs

	2019 €	2018 €
Other interest expense	**5**	40

19. Tax

	2019 €	2018 €
Current tax expense	9	203,091
	9	**203,091**

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

	2019 €	2018 €
Loss for the year	**(28,391,567)**	(8,263,535)
Tax at 35%	**(9,937,048)**	(2,892,237)
Tax effect of:		
Disallowed expenses	**412,508**	101,580
Group loss relief	-	1,490,085
Unrecognised current tax in prior year	-	203,091
Unrecognised deferred tax	**9,524,549**	1,300,572
	9	203,091

20. Cash used in operations

(i) Reconciliation of operating profit to cash generated from operations:

	2019 €	2018 €
Operating loss	**(28,428,625)**	(8,263,527)
Adjustments for:		
Amortisation of intangible assets (Note 5)	**5,588,389**	4,110,757
Depreciation of property, plant and equipment (Note 4)	**335,365**	364,491
Impairment (Note 4, 5, 6)	**3,587,525**	-
Share-based payment (Note 13)	**(372,452)**	179,991
Changes in working capital:		
Trade and other receivables	**147,498**	18,322,861
Trade and other payables	**24,597,220**	(8,409,552)
Cash generated from operations	**5,454,920**	6,305,021

Non-cash transactions

During the year, the ultimate and immediate parent companies have waived amounts due to them by the Company amounting to EUR 3,641,079 (2018: EUR 11,317,587), 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.

20. Cash used in operations - continued

(ii) Reconciliation of financial liabilities:

	Loan from subsidiary €
Balance as at 1 Janaury 2019	-
Loan from subsidiary	17,922,054
Balance as at 31 December 2019	**17,922,054**

21. Significant risks and uncertainties

It is the Company's view that the responsibility for compliance with laws and regulations rests with the customer. Although gaming laws and regulations of many jurisdictions do not specifically apply to the supply of B2B services, certain countries have sought to regulate or prohibit the supply of such services. The Company may therefore be subject to such laws, directly or indirectly. The Company mitigates this risk through monitoring of legal developments, contractual arrangements, and by seeking external advice to assist with the assessment of risk exposures as appropriate.

Outside the European Union the regulatory frameworks are more fragmented. Regulatory developments in the online gaming sector and their implications for the Company are uncertain and government authorities could make assessments and decisions that differ from the Company's understanding or interpretation.

This evolving environment makes compliance an increasingly complex area with the risk of non-compliance with territory specific regulations, including responsible gambling and anti-money laundering obligations. These uncertainties represent a risk for the Company's ability to develop and grow the business, as changes in legislation or enforcement practices could force the group to exit markets, or even result in financial sanctions, litigation, licence withdrawal, or unexpected tax exposures, which have not duly been provided for in these financial statements.

22. Related party transactions

	2019 €	2018 €
Other receivables from related parties (Note 7)		
other related parties	**423**	423
Other payables to related parties (Note 14)		
subsidiary	**17,922,054**	-

	2019 €	2018 €
Recharges from fellow subsidiary:		
Administrative expenses	**4,832,086**	4,750,064
Personnel expenses	**2,044,371**	665,563

23. Events after reporting date

Subsequent to year end, up to the signing date of these financial statements, the Company has concluded and signed six new agreements and one Head of Terms with business to customer operators for the provision of platform services where the majority are land based casinos transitioning to provide an online offering to their customers.

During 2019, a subsidiary of the Company, received a third party claim alleging that a restrictive covenant in a contractual arrangement has been breached. The amount claimed in terms of the said contract is significant. Subsequent to the year end, management engaged in negotiations and settled the claim. The Company has provided for the full settlement during 2019.

Impact of COVID-19 on the 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 as a result 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. Therefore, negative developments in the global economy dependent on external factors outside of the Company's control could adversely affect casino activity in the longer term. However, there could also be positive developments from a potential shift of gambling activity from offline brick and mortar casinos to online casinos.

This could affect revenues generated by the Company's business to customer clients which as a consequence affect the Company's revenues. The majority of the commercial contracts of the Company are either of a fixed fee nature or includes monthly minimum fees which reduces materially any possible negative effect on the Company's revenue.

The commercial model of the Company, together with the consumer demand surge during COVID-19 lockdowns for casino, have mitigated any negative impact on revenues during the period where sports activities were paused. COVID-19 has however slowed down the onboarding of new clients due to delays in the contracting process which although the impact is not material for 2020, has led management to re-forecast 2021 expected results.

23. Events after reporting date - continued

Potential impact on asset value due to COVID-19

Management's assessment of the recoverable amount of intangible assets, including consideration of indicators of impairment relating to intangibles, was based on economic conditions, including equity market levels, that existed at 31 December 2019. Such assessment did not therefore contemplate the impact of COVID-19, which only emerged in 2020. However, the directors do not anticipate any further impairment in 2020 as a consequence of COVID-19.

24. Statutory information

IGamingCloud 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, 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 IGamingCloud Limited.