IGAMINGCLOUD LIMITED

Annual Report and Financial Statements
31 December 2020

Company Registration Number: C48466

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2020.

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 subsidiaries operating with both own license and a white label model.

On 14 February 2020, the parent Company, Gaming Innovation Group p.l.c, signed a Share Purchase Agreement with Betsson Group for the divestment of its B2C assets, which include the operator brands Rizk, Guts, Kaboo and Thrills. Betsson will, through this agreement, become a long-term partner of GiG, generating revenues to GiG's Platform Services. Betsson commits to initially keep the brands operational on GiG's platform for a minimum of 30 months. For the first 24 months, Betsson will pay a premium platform fee based on NGR generated.

On 16 April 2020, the Group completed the sale of its B2C assets to Betsson. GiG received, net of transaction costs, an amount of EUR31 million as consideration, including a prepaid platform fee of EUR8.7 million. Subsequently, the consideration was adjusted by EUR 2.3 million, to reflect working capital adjustments of EUR 2.8 million and EUR 0.5m deferred payment.

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 30 months. For the first 24 months, Betsson will pay a premium platform fee based on revenue generated.

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 shift from the White Label model to Software as a Service model progressed according to management's plans where, the number of white labels diminished considerably, from 15 brands operating on white-label agreements, to only three remaining at the end of 2020. Subsequent to year end, no white label brands remained.

During 2020, fourteen new agreements were signed for Platform Services of which four offer both casino and sportsbook and ten offer casino only. Two of the new clients that signed during 2020 went live during 2020. These new agreements are expected to secure recurring revenues from 2021 and beyond.

Director's report - continued

Principal activities - continued

During Q3 2020, the Company signed a strategic partnership with Betgenius, creating a fully integrated sportsbook and platform solution for operators in regulated markets by bringing together the Company's platform technology with Betgenius' end-to-end live data, trading and risk management services. Betgenius took over all day-to-day sportsbook management operations in September, reducing the Company's operating expenses. Following a strategic review of its cost base structure, Management implemented various cost saving measures during the year.

COVID-19

The occurrence of extraordinary events, such as the outbreak of disease epidemics, has an adverse impact on the global economy, and may lead to a global recession. In 2020, the existence of a new virus was confirmed, and since then COVID-19 has spread across the world. COVID-19 has caused disruption to businesses and economic activity, and also impacted global stock markets. It is difficult to ascertain the longer-term impact of COVID-19 on the Group and Company, or to provide a quantitative estimate of this impact. Management has, however, considered the impact based on the experience to-date and took all the necessary steps to mitigate any downside effect from the cessation or postponement of sports events by shifting focus from sports to casino. Some delays were encountered in the onboarding of new customers, and for some jurisdictions responsible gaming measures were enhanced. When considering the impact on the Group's performance for 2020, as well as on the gaming sector at large, Management continues to believe that COVID-19 has no material effect on these financial statements that would affect the going concern basis.

The Group and Company closely monitors the progress of COVID-19 and has 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 Company's business and its customers. COVID-19 has not resulted in any major disruption to the Company's operations in 2020.

Going concern

As at 31 December 2020, the Company's current liabilities exceeded its current assets by EUR 38,257,809.The Directors continue to deem the going concern basis of preparation to be appropriate on the basis that the Group and its subsidiaries will not request amounts due amounting to EUR 39,013,031, and the continued support from the parent company to settle the Company's obligations as and when they fall due, as well as, as a result of the actions mentioned below.

The Company's future performance is intrinsically linked to the outlook for the Group that it forms part of. The Company's and Group's financial position improved following the sale of the B2C business, the repayment of the SEK300m 2020 bond in April 2020, the actions taken to rationalise costs, and the strategic review of operations in line with the Group's new focus.

Directors' report - continued

Going concern - continued

Also, on the 27th of May 2021, the Company's Ultimate Parent has successfully completed the issuance of a new 3-year SEK 450 million senior secured bond with a SEK 550 million borrowing limit. The transaction was oversubscribed and received strong demand from investors across the Nordics, continental Europe, and the US, with participation in the placement from existing as well as new investors. The net proceeds were used to refinance the existing SEK 400 million bond including any call premium and transaction costs with the balance towards general corporate purposes. The new bond has a floating coupon of 3 months STIBOR + 8.50% per annum and with more favorable terms than the existing SEK 400 million bond.

In order to alleviate short term liquidity pressures, the Company's Ultimate Parent issued a subordinated convertible loan of EUR8.5 million in December 2020, which matured in December 2023. However, on the 28th of May 2021, due to the steady increase in Company's Ultimate Parent share, the convertible holders decided to anticipate maturity date and convert the loan to equity. The Company's Ultimate Parent issued 6,600,000 new shares of its common stock in connection with the conversion of the EUR 8.5 million convertible loan.

Events after the reporting date

Subsequent to year end, up to the signing date of these financial statements, the Company has concluded and signed five new agreements 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. The company has also terminated one agreement during 2021.

Overall Company's performance

The Company experienced an increase in net revenues of 115% and operating expenses reduced by 19%. Due to this, EBITDA has increased from a loss of EUR 18.9million in 2019 to a loss of EUR 13.6 million in 2020. The decrease in operating expenses is mainly driven by the reduction in depreciation and amortisation as well as no impairment taken in 2020, which was partly offset by an increase in personnel cost, EBITDA is equivalent to operating profit before depreciation and amortisation and impairment loss.

Net revenues

Net revenues in 2020 increased to EUR 8.1 million (2019: EUR 3.8 million) which is equivalent to an increase of 115%. The increase is mainly attributable to onboarding of new clients throughout 2020.

Operating expenses

During 2020, total operating expenses reduced when compared to the previous year with a total cost of EUR 26.2 million (2019: EUR 32.2 million). This includes depreciation and amortisation cost of EUR 4.5 million (2019: EUR 5.9 million), EUR 9.0 million (2019: EUR 6.1 million) of personnel expenses and impairment losses of EUR 3.6 million in 2019. The decrease in operating expenses is mainly driven by the reduction in depreciation and amortisation as well as no impairment taken in 2020, partly offset by an increase in personnel cost as explained above.

Directors' report - continued

Legal environment

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.

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.

Directors' report - continued

Financial risk management

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

Directors

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

- Justin Psaila
- Richard Brown

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

Statement of directors' responsibilities for the financial statements

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

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

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

The directors are also responsible for designing, implementing and maintaining internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Maltese Companies Act (Cap. 386). The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Richard Brown
Director

Justin Psaila
Director

Registered office
@GiG Beach Office,
Triq Id-Dragunara,
St Julians, STJ 3148
Malta

5th November 2021

Independent auditor's report

To the Shareholders of IGamingCloud Limited

Report on the audit of the financial statements

Our opinion

In our opinion:

- The financial statements give a true and fair view of the financial position of IGamingCloud Limited (the Company) as at 31 December 2020, 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 37, comprise:

- the statement of financial position as at 31 December 2020;
- 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 significant accounting policies and other explanatory information.

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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for 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.

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Independent auditor's report - *continued*

To the Shareholders of IGamingCloud Limited

Other information

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except as explicitly stated within the *Report on other legal and regulatory requirements.*

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.

If, based on the work we have performed we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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.

Independent auditor's report - *continued*

To the Shareholders of IGamingCloud Limited

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

The *Annual Report and Financial Statements 2020* contains other areas required by legislation or regulation on which we are required to report. The Directors are responsible for these other areas.

The table below sets out these areas presented within the Annual Report, our related responsibilities and reporting, in addition to our responsibilities and reporting reflected in the *Other information* section of our report. Except as outlined in the table, we have not provided an audit opinion or any form of assurance.

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Independent auditor's report - *continued*

To the Shareholders of IGamingCloud Limited

Area of the *Annual Report and Financial Statements 2020* and the related Directors' responsibilities	Our responsibilities	Our reporting
Directors' report (on pages 1 to 5) The Maltese Companies Act (Cap. 386) requires the directors to prepare a Directors' report, which includes the contents required by Article 177 of the Act and the Sixth Schedule to the Act.	We are required to consider whether the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements. We are also required to express an opinion as to whether the Directors' report has been prepared in accordance with the applicable legal requirements. In addition, we are required to state whether, in the light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, we have identified any material misstatements in the Directors' report, and if so to give an indication of the nature of any such misstatements.	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). We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the *Other information* section.
	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 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 which, to the best of our knowledge and belief, we require for our audit.	We have nothing to report to you in respect of these responsibilities.

Other matter – use of this report

Our report, including the opinions, has been prepared for and only for the Company's shareholders as a body in accordance with Article 179 of the Maltese Companies Act (Cap. 386) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior written consent.

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

Romina Soler
Partner

5 November 2021

Statement of financial position

	Notes	As at 31 December 2020 €	2019 €
ASSETS			
Non-current assets			
Intangible assets	5	**3,578,268**	3,225,381
Property, plant and equipment	4	**266,995**	511,224
Investments in subsidiaries	6	**9,000**	9,000
Deferred income tax asset	12	**-**	427,564
Trade and other receivables	7	**140,000**	-
Total non-current assets		**3,994,263**	4,173,169
Current assets			
Trade and other receivables	7	**5,667,907**	2,984,753
Cash at bank and other intermediaries	8	**254,538**	100,416
Total current assets		**5,922,445**	3,085,169
Total assets		**9,916,708**	7,258,338
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	9	**40,000**	40,000
Capital reserves	10	**15,364,958**	15,364,958
Merger reserve	11	**(1,856,869)**	(1,856,869)
Accumulated losses		**(47,811,635)**	(29,269,239)
Total equity		**(34,263,546)**	(15,721,150)
Current liabilities			
Trade and other payables	14	**44,180,254**	22,979,488
Total current liabilities		**44,180,254**	22,979,488
Total equity and liabilities		**9,916,708**	7,258,338

The notes on pages 15 to 37 are an integral part of these financial statements.

The financial statements on pages 11 to 37 were authorised for issue by the Board on 5th November 2021 and were signed on its behalf by:

Richard Brown
Director

Justin Psaila
Director

Statement of comprehensive income

	Notes	Year ended 31 December 2020 €	2019 €
Net revenue		**8,122,365**	3,779,883
Operating expenses			
Personnel expenses	16	**(9,046,361)**	(6,112,426)
Depreciation and amortisation	4, 5, 6	**(4,498,637)**	(5,923,754)
Impairment losses	4, 5	**-**	(3,587,525)
Other operating expenses	15	**(12,669,931)**	(16,584,803)
Total operating expenses		**(26,214,929)**	(32,208,508)
Operating loss		**(18,092,564)**	(28,428,625)
Finance income	17	**2,049**	37,063
Finance costs	18	**(24,330)**	(5)
Loss before tax		**(18,114,845)**	(28,391,567)
Tax expense	19	**(427,551)**	(9)
Loss for the year		**(18,542,396)**	(28,391,576)

The notes on pages 15 to 37 are an integral part of these financial statements.

Statement of changes in equity

	Note	Share capital €	Capital reserves €	Merger reserve €	Accumulated losses €	Total €
		Attributable to owners of the company				
Balance as at 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)
Balance as at 31 December 2019 and 1 January 2020		40,000	15,364,958	(1,856,869)	(29,269,239)	(15,721,150)
Comprehensive income						
Loss for the year - total comprehensive income		-	-	-	(18,542,396)	(18,542,396)
Balance at 31 December 2020		**40,000**	**15,364,958**	**(1,856,869)**	**(47,811,635)**	**(34,263,546)**

The notes on pages 15 to 37 are an integral part of these financial statements.

Statement of cash flows

	Notes	Year ended 31 December	
		2020	2019
		€	€
Cash flows from operating activities			
Cash generated from operations	21	**4,284,067**	5,454,920
Interest received		**2,049**	37,063
Interest paid		**(24,330)**	-
Cash generated from operations		**4,261,786**	5,491,983
Cash flows from investing activities			
Purchase of intangible assets	5	**(4,107,664)**	(5,516,387)
Purchase of property, plant and equipment	4	**-**	(5,072)
Net cash used in investing activities		**(4,107,664)**	(5,521,459)
Net movement in cash and cash equivalents		**154,122**	(29,476)
Cash and cash equivalents at beginning of year		**100,416**	129,892
Cash and cash equivalents at end of year	8	**254,538**	100,416

The notes on pages 15 to 37 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 23) 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) and the conditions included under IFRS 10 paragraph 4(a). 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 2020, the Company's current liabilities exceeded its current assets by EUR 38,257,809.The Directors continue to deem the going concern basis of preparation to be appropriate on the basis that the Group and its subsidiaries will not request amounts due amounting to EUR 39,013,031, and the continued support from the parent company to settle the Company's obligations as and when they fall due, as well as, as a result of the actions mentioned below.

The Company's future performance is intrinsically linked to the outlook for the Group that it forms part of. The Company's and Group's financial position improved following the sale of the B2C business, the repayment of the SEK300m 2020 bond in April 2020, the actions taken to rationalise costs, and the strategic review of operations in line with the Group's new focus.

Also, on the 27th of May 2021, the Company's Ultimate Parent has successfully completed the issuance of a new 3-year SEK 450 million senior secured bond with a SEK 550 million borrowing limit. The transaction was oversubscribed and received strong demand from investors across the Nordics, continental Europe, and the US, with participation in the placement from existing as well as new investors. The net proceeds were used to refinance the existing SEK 400 million bond including any call premium and transaction costs with the balance towards general corporate purposes. The new bond has a floating coupon of 3 months STIBOR + 8.50% per annum and with more favorable terms than the existing SEK 400 million bond.

In order to alleviate short term liquidity pressures, the Company's Ultimate Parent issued a subordinated convertible loan of EUR8.5 million in December 2020, which matured in December 2023. However, on the 28th of May 2021, due to the steady increase in Company's Ultimate Parent share, the convertible holders decided to anticipate maturity date and convert the loan to equity. The Company's Ultimate Parent issued 6,600,000 new shares of its common stock in connection with the conversion of the EUR 8.5 million convertible loan.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

Standards, interpretations and amendments to published standards effective in 2020

No new standards were adopted during the year that would have a material effect on the company's accounting policies.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been adopted by the company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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.

1.3 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. Summary of significant accounting policies - continued

1.4 Intangible assets

(a) Licenses

Separately acquired licenses are shown at historical cost. The majority of separately acquired licenses have a 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.

(c) 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. **Summary of significant accounting policies** - continued

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	3 - 6
Computer and office equipment	3
Installations and improvement to leasehold premises	3 - 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. Summary of significant accounting policies - continued

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.

1.8 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 1.6.4). 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. **Summary of significant accounting policies** - continued

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.

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

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.

1.17 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 2020 and 2019.

	Assets
	€
As at 31 December 2020	
GBP	**73,595**
USD	**12,271**
	85,866

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

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.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk

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

	2020	2019
	€	€
Financial assets at amortised cost:		
Amounts due from ultimate parent (Note 7)	**140,000**	0
Amounts due from fellow subsidiaries (Note 7)	**2,716,829**	500,423
Trade and other receivables (Note 7)	**1,529,971**	474,843
Cash at bank and other intermediaries (Note 8)	**254,538**	100,416
Exposure	**4,641,338**	1,075,682

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 2020 and 2019.

	2020	2019
	€	€
A+	**18,707**	99,110
BBB	**235,831**	1,306
	254,538	100,416

(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 holds limited history to calculate a provision based on IFRS 9 since historic write offs were related to one specific customer. The management will continue to monitor and assess IFRS 9 workings as activity and increases. The Company monitors intra-group exposures at individual entity level on a regular basis and ensures timely performance of these assets in context of its overall liquidity management at a Group level.

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 1,116,747 (2019: EUR 1,311,295), other payables of EUR 270,304 (2019: nil), amounts due to related parties of EUR 39,842,534 (2019: 17,922,054) and indirect taxation and social security of EUR 2,381,241 (2019: EUR 1,285,501).

As at 31 December 2020, the Company's current liabilities exceeded its current assets by EUR 38,257,809. As described in Note 1.1, liquidity risk is monitored at a group level by ensuring that sufficient funds are available to each subsidiary within the Gaming Innovation Group.

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 2020 and 2019 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 the impairment assessment of intangible assets as disclosed in Note 5.

4. Property, plant and equipment

	Computer and office equipment €	Furniture and fittings €	Installations and improvements to leasehold premises €	Total €
Cost				
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
As at 1 January 2020	926,301	126,461	462,324	1,515,086
Disposals	(369)	-	-	(369)
As at 31 December 2020	**925,932**	**126,461**	**462,324**	**1,514,717**
Accumulated depreciation				
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
As at 1 January 2020	644,305	79,477	280,080	1,003,862
Depreciation charge	136,878	22,150	84,832	243,860
As at 31 December 2020	**781,183**	**101,627**	**364,912**	**1,247,722**
Net book value				
As at 1 January 2019	490,572	71,454	282,368	844,394
As at 31 December 2019	281,996	46,984	182,244	511,224
As at 31 December 2020	**144,749**	**24,834**	**97,412**	**266,995**

5. Intangible assets

	Licences €	Gaming software €	Trademarks €	Total €
Cost				
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
As at 1 January 2020	1,486,292	15,528,704	22,000	17,036,996
Additions	720,272	3,887,392	-	4,607,664
As at 31 December 2020	**2,206,564**	**19,416,096**	**22,000**	**21,644,660**
Accumulated amortisation				
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
As at 1 January 2020	959,756	12,829,859	22,000	13,811,615
Amortisation charge	939,539	3,315,238	-	4,254,777
As at 31 December 2020	**1,899,295**	**16,145,097**	**22,000**	**18,066,392**
Carrying amount				
As at 1 January 2019	177,028	5,241,284	13,719	5,432,031
As at 31 December 2019	526,536	2,698,845	-	3,225,381
As at 31 December 2020	**307,269**	**3,270,999**	**-**	**3,578,268**

Impairment test for intangible assets with definite useful lives

For the purposes of the impairment testing of intangible assets on a Group level with an indefinite useful life, one cash generating unit ('CGU') was identified being the Group's business to business segment, which compromises performance marketing services performed by a fellow subsidiary and platform services. The determination of CGU reflects how the Group manages the day-to-day operations of the business and how decisions about the Group's assets and operations are made.

The carrying amount, key assumptions and discount rate used in the value-in-use calculations are as described below.

5. Intangible assets - continued

Business-to-Business CGU

The key assumptions on which management has based its impairment test are reflected in the cash flow projections comprising the budget for 2021 as confirmed by the entity's Board and estimated cashflows for years 2022 – 2024 (2019: 2021 – 2023). The key assumptions include:

- Revenue percentage annual growth rate;
- Gross margin;
- Total operating expenses percentage annual growth rate; and
- EBITDA margin.

The post-tax discount rate applied to cash flow projections was 17% (2019: 18%). The perpetual growth rate, as assumed in the CGU's residual value, is 2% (2019: 2%) based on the estimated long-term inflation.

The business-to-business CGU is composed of two main business activities being performance marketing and platform services. Performance marketing is provided by a fellow subsidiary.

2020 was a transformational year for the Group re-focusing its strategy to becoming a pure B2B software provider. Financial performance improved year on year for the platform services component, especially through the contribution from the Betsson contract. The Betsson platform service contract was part of the commercial arrangement from the sale of the Group's B2C assets. The contract is for a duration of at least 30 months where a premium fee is payable for the first 24 months. The impairment assessment for this business component is sensitive to the Group achieving projected growth, representing an annual CAGR of 19% over the projected period (2021-2024), and an improved EBITDA margin. Intangible in the Company have a carrying amount of € 3.6m and a maintainable free cashflow after tax of at least c. EUR1.3m is required to sustain the carrying value of the intangible assets, excluding the allocation of corporate assets allocation to this business activity. The impairment assessment of this activity is susceptible to the Group and in turnCompany achieving projected growth and an improvement in EBITDA.

6. Investment in subsidiary

	2020 €	2019 €
As at 31 December	9,000	9,000

	2020 €	2019 €
As at 1 January	9,000	1,459,000
Impairment loss	-	(1,450,000)
As at 31 December	9,000	9,000

6. Investment in subsidiary - continued

The principal subsidiaries are the following:

Subsidiary	Registered office	Class of shares held	Percentage of voting rights held directly by parent	
			2020	2019
			%	%
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	Ordinary shares	**100**	100

In prior years, 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

	2020 €	2019 €
Non-current		
Amounts due from ultimate parent	**140,000**	-
Current		
Trade receivables	**997,700**	408,867
Amounts due from immediate parent company	**34,699**	-
Amounts due from subsidiary	**2,186,963**	-
Amounts due from fellow subsidiaries	**495,167**	423
Accrued income	**234,029**	-
Other receivables	**85,843**	65,976
Indirect taxation	**1,421,107**	1,929,635
Prepayments	**212,399**	579,852
	5,667,907	2,984,753

The amounts due from immediate parent company, subsidiary and 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:

	2020 €	2019 €
Cash at bank and other intermediaries	**254,538**	100,416

9. Share capital

	2020 €	2019 €
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

The capital contribution reserve is a non-distributable reserve.

	2020 €	2019 €
At 1 January	**15,364,958**	12,096,331
Waiver of amounts payable	-	3,641,079
Capital contribution arising on granting of share options by the ultimate parent company	-	(372,452)
At 31 December	**15,364,958**	15,364,958

In 2019, the ultimate and immediate parent companies had waived amounts due to them by the Company amounting to EUR 15,613 and EUR 3,625,466 respectively and converted to a capital contribution reserve.

11. Merger reserve

	2020 €	2019 €
At 1 January and 31 December	**(1,856,869)**	(1,856,869)

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:

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:

	2020 €	2019 €
Difference between the tax base and carrying amounts of tangible assets	-	(22,401)
Difference between the tax base and carrying amounts of intangible assets	-	(109,211)
Trading losses	-	559,176
	-	427,564

As at 31 December 2020, the Company also had unrecognised unutilised tax credits amounting to EUR 16,483,826 (2019: EUR 9,749,881) arising from unabsorbed tax losses, group relief of EUR 248,056 (2019: EUR 248,056) capital allowances, and temporary differences arising from intangible assets and property, plant and equipment amounting to EUR 1,197,098 (2019: EUR 1,538,788). These give rise to a net deferred tax asset for the Company amounting to EUR 17,501,437 (2019: EUR 11,536,744), 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 as consideration for employee services

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

	2020		2019	
	Average exercise price in € per option	Options	**Average Exercise price in € per option**	Options
Share options which were granted or converted into options of GIG Inc.				
At 1 January	**5.00**	**120,000**	3.25	582,681
At 31 December	-	-	5.00	120,000
Share options which were granted or converted into options of GIG Inc.				
Granted	-	-	3.00	60,000
Forefeited	-	-	4.00	(309,611)
Transferred to another subsidiary within the group	-	**120,000**	-	-
Exercised	-	-	0.10	(213,070)

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

In 2019, 213,070 options were converted into GIG Inc shares being issued at a weighted average price of EUR 0.10. The related weighted average share price at the time of exercise was EUR 2.16 per share.

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

Grant dates (range)	Vest dates (range)	Expiry dates (range)	Exercise prices in option (range) €	Share options 2020	2019
2018	2019-2021	March 2024	6.00 - 6.50	-	30,000
2018	2019-2021	March 2024	7.50	-	30,000
2019	2019-2022	March 2025	3.00	-	60,000
				-	**120,000**

13. Share based payments - continued

(b) Valuation of share options for the year ended 31 December 2020

The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was nil (2019: EUR0.10) per option as no new share options were granted during the year. The significant inputs into the model were weighted average share price of nil (2019: EUR2.20) at the grant date, exercise price shown above, volatility of nil (2019: 58%), dividend yield of nil (2019: 0%), an expected option life of nil (2019: 2) years and an annual risk-free interest rate of nil (2019: 1.31%). 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.

14. Trade and other payables

	2020	2019
	€	€
Trade payables	**1,116,747**	1,311,295
Other payables	**270,304**	-
Amounts due to subsidiaries	**22,193,531**	17,922,054
Amounts due to fellow subsidiaries	**16,819,500**	-
Accruals and deferred income	**1,398,931**	2,460,638
Indirect taxation and social security	**2,381,241**	1,285,501
	44,180,254	22,979,488

The amounts due to subsidiaries and fellow subsidiaries are unsecured, interest free and repayable on demand. As included in Note 1.1, amounts due to subsidiaries and fellow subsidiaries will not be requested unless alternative funds are made available. .

15. Expenses by nature

	2020	2019
	€	€
Platform fees	**577,269**	369,952
Consultancy fees	**3,214,435**	5,127,430
Legal fees	**351,436**	467,447
Penalties and Fines	**446,249**	1,270,950
IT expenses	**2,977,324**	3,968,347
Other operating expenses recharged	**5,103,218**	5,380,677
	12,669,931	16,584,803

Operating expenses amounting to € 5,103,218 (2019: € 5,380,677) recharged are central costs incurred by a fellow subsidiary and recharged respectively throughout the based on a systematic manner.

15. Expenses by nature - continued

Fees charged by the auditor for services rendered during the financial year ended 31 December 2020 (exclusive of VAT) are shown in the table below.

	2020	2019
	€	€
Tax advisory and compliance services	**1,600**	1,500
Other	**150**	150
	1,750	1,650

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

16. Employee benefit expense

	2020	2019
	€	€
Gross wages and salaries	**64,628**	7,822,452
Outsourced employees	**477,941**	603,797
Salary recharges	**12,288,568**	2,044,371
Social security costs	**3,988**	384,213
Less: employee costs capitalised as part of software development	**(3,788,764)**	(4,369,955)
Share options granted to employees (Notes 10 and 13)	**-**	(372,452)
	9,046,361	6,112,426

The average number of persons employed during the year:

	2020	2019
Administrative	**1**	161

17. Finance income

	2020	2019
	€	€
Interest income on bank deposits	**2,049**	37,063

18. Finance costs

	2020	2019
	€	€
Other interest expense	**24,330**	5

19. Tax

	2020 €	2019 €
Deferred tax (Note 18)	**427,564**	-
Current tax expense	**(13)**	9
	427,551	9

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

	2020 €	2019 €
Loss for the year	**(18,114,845)**	(28,391,567)
Tax at 35%	**(6,340,196)**	(9,937,048)
Tax effect of:		
Disallowed expenses	**214,405**	412,508
Losses surrendered to group company	**161,112**	
Unrecognised deferred tax	**6,392,230**	9,524,549
	427,551	9

20. Cash generated from operations

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

	2020 €	2019 €
Operating loss	**(18,092,564)**	(28,428,625)
Adjustments for:		
Amortisation of intangible assets (Note 5)	**4,254,777**	5,588,389
Depreciation of property, plant and equipment (Note 4)	**243,860**	335,365
Impairment (Note 4, 5, 6)	-	3,587,525
Share-based payments (Note 13)	-	(372,452)
Changes in working capital:		
Trade and other receivables	**(3,323,154)**	147,498
Trade and other payables	**21,201,148**	24,597,220
Cash generated from operations	**4,284,067**	5,454,920

20. Cash generated from operations - continued

Non-cash transactions

During 2020, intangible assets amounting to EUR 500,000 was not paid in cash as this was previously a receivable which was recovered through provision of services.

In 2019, the ultimate and immediate parent companies have waived amounts due to them by the Company amounting to EUR 3,641,079 which have been converted to a capital reserve. No balances were waived off during 2020.

(ii) Reconciliation of financial liabilities:

	Amounts received from related parties €
Balance as at 1 January 2020	17,922,054
Amounts received from subsidiaries	4,271,477
Amounts received from other related parties	9,703,759
Amounts received from other related parties - non cash item	7,115,741
Balance as at 31 December 2020	**39,013,031**

21. Legal environment

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

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

Year-end balances owed by or to related undertakings, arising in respect of the above transactions and cash advances, are disclosed in notes 7 and 14.

	2020	2019
	€	€
Other receivables from fellow subsidiaries (Note 7)		
Amounts due from immediate parent entity	**34,699**	-
Amounts due from subsidiary	**2,186,963**	-
Amounts due from fellow subsidiaries	**495,167**	423
Other payables to fellow subsidiaries (Note 14)		
Amounts due to subsidiaries	**22,193,531**	17,922,054
Amounts due to fellow subsidiaries	**16,819,500**	-

23. 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. Gaming Innovation Group 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.