IZI Interactive Limited

Report & Financial Statements

30 June 2018

Company registration number: C 75678

Contents

Directors' report

The directors present their report and the audited financial statements for the year ended 30 June 2018.

Principal activities

The company was incorporated on 19 May 2016 to carry on the business of sports betting by electronic or remote means in terms of the licence issued Malta Gaming Authority (MGA).

Review of business development

During the year under review the company posted a net loss after tax of € 32,609 (2017: €12,598).

Directors

In accordance with the Articles of Association of the company, the present directors are to remain in office.

Mr Johann Schembri
Mr Franco De Gabriele
Mr Joseph Mallia

Disclosure of information to the auditor

- As far as each director is aware, there is no relevant information needed by the independent auditor in connection with preparing the audit report of which the independent auditor is unaware, and
- Each director has taken all steps that he ought to have taken as a director in order to make himself aware of any relevant information needed by the independent auditor in connection with preparing the audit report and to establish that the independent auditor is aware of that information.

Statement of directors' responsibilities

The Companies Act, Cap 386 requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that year. In preparing these financial statements, the directors are required to:

- adopt the going concern basis unless it is inappropriate to presume that the company will continue in business;
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting year on the accruals basis;
- value separately the components of asset and liability items; and
- report comparative figures corresponding to those of the preceding accounting year.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements have been properly prepared in accordance with the Companies Act, Cap 386. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. They are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditor

The auditor Grant Thornton has intimated its willingness to continue in office.

Franco De Gabriele
Director

Johann Schembri
Director

Registered address:
Level 11, Portomaso Business Tower
Portomaso
St Julians STJ 4011
Malta

28 February 2019

Income statement

	Notes	2018	2017 (14 months)
		€	€
Net gaming revenue	5	**12,599**	-
Direct operating expenses		(21,357)	-
Operating loss		**(8,758)**	-
Administrative expenses		(41,409)	(12,598)
Loss before tax	6	**(50,167)**	**(12,598)**
Tax income	7	17,558	-
Loss for the year/period		**(32,609)**	**(12,598)**

Statement of financial position

	Notes	2018	2017
		€	€
Assets			
Non-current			
Intangible asset	8	50,000	50,000
		50,000	**50,000**
Current			
Trade and other receivables	9	71,563	92,011
Cash and cash equivalents	10	12,071	71
		83,634	**92,082**
Total assets		**133,634**	**142,082**
Equity			
Share capital	11	100,000	100,000
Accumulated losses		(45,207)	(12,598)
Total equity		**54,793**	**87,402**
Liabilities			
Current			
Trade and other payables	12	78,841	54,680
		78,841	**54,680**
Total equity and liabilities		**133,634**	**142,082**

The financial statements on pages 4 to 16 were approved and authorised for issue by the board of directors on 28 February 2019 and were signed on its behalf by:

Franco De Gabriele
Director

Johann Schembri
Director

Statement of changes in equity

	Share capital €	Accumulated losses €	Total €
Issue of share capital	100,000	-	100,000
Transaction with owners	100,000	-	100,000
Loss for the period	-	(12,598)	(12,598)
At 30 June 2017	**100,000**	**(12,598)**	**87,402**
At 1 July 2017	100,000	(12,598)	87,402
Loss for the year	-	(32,609)	(32,609)
At 30 June 2018	**100,000**	**(45,207)**	**54,793**

Accumulated losses include all current year and prior period results as disclosed in the income statement.

Statement of cash flows

	Notes	2018	2017 (14 months)
		€	€
Operating activities			
Loss before tax		(50,167)	(12,598)
Net changes in working capital	13	62,167	(37,331)
Net cash generated from (used in) operating activities		**12,000**	**(49,929)**
Investing activity			
Payment to acquire intangible asset		-	(50,000)
Cash used in investing activity		**-**	**(50,000)**
Financing activity			
Proceeds from issue of share capital		-	100,000
Cash generated from financing activity		**-**	**100,000**
Net change in cash and cash equivalents		12,000	71
Cash and cash equivalents, beginning of year/period		71	-
Cash and cash equivalents, end of year/period	10	**12,071**	**71**

Notes to the financial statements

1 Nature of operations

The company was incorporated on 19 May 2016 to carry on the business of sports betting by electronic or remote means in terms of the licence issued Malta Gaming Authority (MGA).

2 General information and statement of compliance with International Financial Reporting Standards (IFRS)

IZI Interactive Limited ('The company') is a private limited liability company incorporated and domiciled in Malta. The address of the company's registered office, which is also its principal place of business is Level 11, Portomaso Business Tower, Portomaso, St Julians, Malta.

The company's parent company, Pinnacle Gaming Group Limited, a company incorporated and domiciled in Malta, prepares consolidated financial statements which are available for public inspection at the Registry of Companies in Malta.

The financial statements have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union (EU), and in accordance with the Companies Act, Cap 386.

The 30 June 2017 financial statements are the company's first set of financial statements covering the period 19 May 2016 to 30 June 2017.

The financial statements are presented in euro (€), which is also the functional currency of the company.

3 Changes in accounting policies

3.1 New and revised standards that are effective for annual periods beginning on or after 1 January 2017

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2017. These and other amendments to IFRS that became mandatorily effective in 2017 have no material impact on the company's financial results or position for the accounting period beginning 1 July 2017. Accordingly, the company has made no changes to their accounting policies.

3.2 Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the company

Management anticipates that all of the relevant pronouncements will be adopted in the company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the company's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the company's financial statements.

IFRS 9 'Financial Instruments'

The new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 also provides new guidance on the application of hedge accounting.

Management has started to assess the impact of IFRS 9 but is not yet in a position to provide quantified information. At this stage the main areas of expected impact are as follows:

- the classification and measurement of the company's financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed; and

- an expected credit loss-based impairment will need to be recognised on the company's trade receivables in accordance with the new criteria.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018. Management does not anticipate a material impact of IFRS 9 on the company's financial statements.

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 presents new requirements for the recognition of revenue, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts', and several revenue-related Interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options, and other common complexities.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018. Management does not anticipate a material impact of IFRS 15 on the company's financial statements.

4 Summary of accounting policies

4.1 Overall considerations

The financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

The accounting policies have been consistently applied by the company and are consistent with those used in previous year.

The financial statements are presented in accordance with IAS 1 *Presentation of Financial Statements* (Revised 2007). The company did not have any items classified as 'other comprehensive income' and consequently management has elected to present only an 'income statement'.

4.2 Net gaming revenue

Net gaming revenue is measured at the fair value of consideration received or receivable, net of betting duties and similar taxes, and charge-backs, and comprises the following elements:

Sportsbook: gains and losses in respect of bets placed on sporting events in the year, stated net of promotional bonuses. Open positions are carried at fair market value and gains and losses arising on this valuation are recognised in revenue, as well as gains and losses realised on positions that have closed.

Where promotional bonuses apply to customers playing a variety of products through the same wallet, bonuses are allocated pro-rata to net win.

4.3 Expenses

Expenses are recognised in the income statement upon utilisation of the service or at the date of their origin.

4.4 Income taxes

Tax income recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from the income statement in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilised against future taxable income. This is assessed based on the company's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

4.5 Intangible asset

Payments made to third parties in order to acquire intellectual property rights, including initial upfront payments, are capitalised as intangible asset. If additional payments are made to the originator company for the provision of technical support and other activities, such payments will be expensed if they are deemed to be a compensation for support services not resulting to additional transfer of intellectual property rights to the group. Additional payments will be capitalised if they are deemed to be compensation for the transfer to the company of additional property developed at the risk of the originator company.

The licence acquired by the company includes the right to download, install and use a system intended for sports betting, for which revenues will be generated by the company. The licence agreement is enforceable for one year and automatically renewable until either of the parties terminate the agreement. Further, the extension of the agreement shall not entail any other licence fee. On this basis, management considers this intangible asset to have an indefinite useful life, and therefore is not amortised. It is subject to impairment testing as described in note 4.6.

4.6 Impairment of intangible asset

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

All individual assets or cash-generating units are tested 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 or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value in use. To determine the value in use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

Impairment losses are recognised immediately in the income statement. Impairment losses for cash-generating units are charged pro rata to the assets in the cash-generating unit. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge that has been recognised is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of amortisation, if no impairment loss had been recognised.

4.7 Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transaction costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets of the company are classified into loans and receivables upon initial recognition.

Loans and receivables are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that loans and receivables are impaired.

All income and expenses relating to loans and receivables are presented within 'finance income' and 'finance cost', except for impairment of trade receivables which is presented within 'administrative expenses'.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The company's cash and most receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Classification and subsequent measurement of financial liabilities

The company's financial liabilities include trade and other payables. These are measured subsequently at amortised cost using the effective interest method.

All interest-related charges are included within 'finance costs'.

4.8 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank.

4.9 Equity and reserves

Share capital is determined using the nominal value of shares that have been issued.

Accumulated losses include current and prior period results.

4.10 Significant management judgement in applying accounting policies and estimation uncertainty

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable and reliable in the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

Significant management judgement

In the opinion of the directors, the 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 (revised 2007).

Estimation uncertainty

Impairment of intangible asset

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 4.6).

5 Net gaming revenue

The following amounts have been included in the income statement line for the reporting periods presented:

	2018	2017
	€	€
Sports revenue	12,599	-
Net gaming revenue	**12,599**	**-**

6 Loss before tax

Loss before tax is stated after charging:

	2018	2017 (14 months)
	€	€
Auditor's remuneration	3,050	3,174

7 Tax income

The relationship between the expected tax income based on the effective tax rate of the company at 35% (2017: 35%) and the tax income actually recognised in the income statement can be reconciled as follows:

	2018	2017 (14 months)
	€	€
Loss before tax	(50,167)	(12,598)
Tax rate	35%	35%
Expected tax income	**17,558**	**4,409**
Adjustment for non-deductible expenses	-	(4,181)
Unrecognised deferred tax	-	(228)
Actual tax income	**17,556**	-
Comprising:		
Compensation for group loss relief surrendered to a related company	**17,558**	-

The company has deductible temporary difference arising from unused tax losses amounting to € 650 that gives rise to a deferred tax asset amounting € 228 which has not been recognised in these financial statements.

8 Intangible asset

	2018	2017
	€	€
Cost		
At 1 July	50,000	-
Additions	-	50,000
At 30 June	**50,000**	**50,000**

The intangible asset is not being amortised since management considers this asset to have an indefinite useful life.

9 Trade and other receivables

	2018 €	2017 €
Payment processor	20,968	-
Amounts owed by parent company	44,901	84,455
Other receivable	493	-
Financial assets	**66,362**	**84,455**
Prepayments	5,201	7,556
Total trade and other receivables	**71,563**	**92,011**

The carrying value of the financial assets is considered a reasonable approximation of fair value.

Amounts owed by parent company are unsecured, interest free and repayable on demand.

10 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position and cash flows include the following component:

	2018 €	2017 €
Cash at bank	12,071	71
Allocated as:		
Own funds	11,294	71
Players' funds	777	-
	12,071	71

The company does not have restrictions on its cash at bank at year end.

11 Share capital

The share capital of IZI Interactive Limited consists of ordinary shares with a par value of € 1. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting of IZI Interactive Limited.

	2018 €	2017 €
Shares authorized, issued and paid up at 30 June		
100,000 ordinary shares of € 1 each	100,000	100,000
	100,000	100,000

12 Trade and other payables

	2018 €	2017 €
Trade payables	52,161	915
Players' liability	4,833	-
Accrued expenses	21,847	53,765
Financial liabilities	**78,841**	**54,680**

The carrying value of the financial liabilities is considered a reasonable approximation of fair value.

13 Changes in working capital

The following adjustments for changes in working capital have been made to the loss before tax to arrive at operating cash flow:

	2018 €	2017 €
Net changes in working capital:		
Change in trade and other receivables	38,006	(92,011)
Change in trade and other payables	24,161	54,680
	62,167	**(37,331)**

14 Related party transactions

The company's related parties include its parent company and fellow subsidiaries.

Unless otherwise stated, none of the transactions incorporates special terms and conditions and no guarantee was given or received. Amounts owed by the parent company are shown separately in note 9.

15 Financial instrument risk

Risk management objectives and policies

The company is exposed to credit risk and liquidity risk through its use of financial instruments which result from both its operating and investing activities. The company's risk management is coordinated by the directors and focuses on actively securing the company's short to medium term cash flows by minimising the exposure to financial risk.

The most significant financial risks to which the company is exposed are described below. See also note 15.3 for a summary of the company's financial assets and liabilities by category.

15.1 Credit risk

The company's exposure to credit risks is limited to the carrying amount of financial assets recognised at the balance sheet date, as summarised below:

	Notes	2018 €	2017 €
Classes of financial assets - carrying amounts			
Trade and other receivables	9	66,362	84,455
Cash and cash equivalents	10	12,071	71
		78,433	**84,526**

None of the company's receivables is secured by collaterals or other credit enhancements.

The credit risk for liquid funds is considered negligible, since the counterparties are reputable banks and merchants with high quality external credit ratings.

15.2 Liquidity risk

The company's exposure to liquidity risk arises from its obligations to meet its financial liabilities (see note 12). Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funding to meet the company's obligations when they become due.

The company manages its liquidity needs through yearly cash flow forecasts by carefully monitoring expected cash inflows and outflows on a monthly basis. The company's liquidity risk is not deemed to be significant in view of the matching of cash inflows and outflows arising from expected maturities of financial instrument.

As at 30 June 2018 and 2017, the company's financial liabilities are all current.

15.3 Summary of financial assets and liabilities by category

The carrying amounts of the company's financial assets and liabilities as recognised at the balance sheet date may also be categorised as follows. See note 4.7 for explanations about how the category of financial instruments affects their subsequent measurement.

	Notes	2018 €	2017 €
Current assets			
- Trade and other receivables	9	66,362	84,455
- Cash	10	12,071	71
		78,433	84,526
Financial liabilities measured at amortised cost:			
Current liabilities			
- Trade and other payables	12	78,841	54,680

16 Capital management policies and procedures

The company's capital management objectives are to ensure its ability to continue as a going concern and provide an adequate return to shareholders.

The company monitors the level of debt, which includes payables less the bank balance against total capital on an ongoing basis. The directors consider the company's gearing level at year end to be appropriate for its business.

17 Post reporting date events

No adjusting or significant non-adjusting events have occurred between the end of the reporting year and the date of authorisation by the directors.

Independent auditor's report

To the shareholders of IZI Interactive Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of IZI Interactive Limited set out on pages 4 to 16 which comprise the statement of financial position as at 30 June 2018, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the Companies Act, Cap. 386 (the "Act").

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

Other information

The directors are responsible for the other information. The other information comprises the directors' report shown on pages 2 and 3 which we obtained prior to the date of this auditor'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.

In connection with our audit of the financial statements, our responsibility is to read the other information 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 Act.

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 Act.

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 that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of those charged with governance for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS as adopted by the EU and are properly prepared in accordance with the provisions of the Act, 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 relating 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.

The directors are responsible for overseeing the company's financial reporting process.

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 the 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 management.
- Conclude on the appropriateness of management's 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 future events or conditions may cause the company to cease to continue as a going concern.

- 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 those charged with governance 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

We also have responsibilities under the Companies Act, Cap 386 to report to you if, in our opinion:

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records; or
- 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.

The engagement partner on the audit resulting in this independent auditor's report is Mark Bugeja.

Mark Bugeja (Partner) for and on behalf of

GRANT THORNTON
Certified Public Accountants

Fort Business Centre
Mriehel Bypass
Birkirkara BKR 3000
Malta

28 February 2019