C 49848 / 37.0 - Filed On: 12 Aug 2019
Doc. Reg. Date: 24 Aug 2019
Signer: *.mbr.mt
Date: Sat, Aug 24, 2019 08:43:17 CEST
Reason: Approval:C 49848/AC0002

Dragonara Gaming Limited

Report & Financial Statements

30 June 2018

Company registration number: C 49848

Contents

Directors' report

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

Principal activities

The company's core activity is the management and operation of the Dragonara Casino and remains unaltered since the last year.

Review of business development

Revenue and other income for the year under review totalled € 16,894,644 which was marginally less by € 319,957 or 1.9 per cent when compared to the total revenue and other income of € 17,214,601 generated during same period of the previous year. Total operating and administrative expenses of € 15,236,371 registered a saving of € 451,765 or 2.9 per cent when compared to the total operating and administrative expenses incurred during the same period of the prior year whereby such saving has completely neutralised the reduction in the total revenue and other income. Excluding internal re-charging between group companies, the EBITDA for the financial year under review stood at € 2.33m representing an increase of 6.8 per cent from € 2.18m in the previous year.

Nevertheless, due to the capital-intensive nature of the business, the overall company's performance for 2018 led to a marginal operating profit of € 31,988 an increase of € 228,235, in absolute terms, when compared to the operating loss of € 196,247 that was registered in 2017. Total depreciation and amortisation charges for 2018 of € 1,626,285 were only marginally reduced by € 96,427 or 5.6% lower than 2017. Such high depreciation charges are a reflection of the business requirements, effectively escalating the company's investment in its property, plant and equipment base carried out during the fiscal years 2016 and 2017, which totalled to c. € 3.4m. This investment has enhanced considerably the company's overall infrastructure, including gaming products, its technological facilities, and the overall ambience, intended to maximise the players' experience and retention in an increasingly demanding market.

During the year under review, the company's short term liquidity improved from a current ratio of 0.77 times in 2017 to 0.82 times in 2018. It should be noted that the short-term liquidity will continue to strengthen over the short- term. As at the end of the reporting period, the company's borrowings stood at € 982,008 a reduction of € 785,608 from 2017 and such reduction has lowered the company's gearing ratio to 30.2 per cent from 41.2 per cent a year earlier.

The macro landscape of the local land-based casino market remains relatively unchanged. Recent trends have shown that the market is relatively mature, and the directors' expectation is that the market growth will normalize over the foreseeable future. The market remains intrinsically saturated with targeted improvements to be derived from higher efficiency at all levels of management and operations. The view on the business remains unchanged from last year in that the company will continue to focus on two strategic pillars for value creation.

1. The pursuit of excellence in delivering value to the local market.
2. The pursuit of new avenues leading to higher value players, predominantly from international markets.

This strategic thrust is underlined by the directors' focus and commitment to the business and its prioritisation of fresh investment to be made into the operation to enable the company to pursue opportunities within the international gaming market. The internationalisation efforts of the company will be spread further with the aim of expanding its market reach beyond its existing territories, leveraging Malta's existing and growing extensive travel network.

Directors
The following have served as directors of the company during the period under review:

Johann Schembri
Mark Bianchi
Franco Degabriele
Svetlana Buckova

In accordance with the company's Articles of Association, the present directors remain in office.

Disclosure of information to auditor

At the date of making this report, the directors confirm the following:

- 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/she ought to have taken as a director in order to make himself/herself 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 income statement 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 period on the accruals basis;
- value separately the components of asset and liability items; and
- report comparative figures corresponding to those of the preceding accounting period.

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 and a resolution proposing its reappointment will be put to the Annual General Meeting.

Johann Schembri
Director

Mark Bianchi
Director

Registered address:
Dragonara Casino Complex
Dragonara Road
St. Julians
Malta

29 March 2019

Income statement

	Notes	2018	2017
		€	€
Revenue		16,489,881	16,852,376
Other income		404,763	362,225
Staff costs	5	(3,831,171)	(3,835,632)
Gaming tax		(5,275,481)	(5,190,478)
Other operating expenses		(6,129,719)	(6,662,026)
Depreciation and amortisation		(1,626,285)	(1,722,712)
Operating profit (loss)		**31,988**	**(196,247)**
Finance income	6	-	145
Finance costs	6	(128,469)	(101,588)
Loss before tax	7	**(96,481)**	**(297,690)**
Tax expense	8	(154,915)	(71,539)
Loss for the year		**(251,396)**	**(369,229)**

Statement of financial position

	Notes	2018	2017
		€	€
Assets			
Non-current			
Intangible assets	9	725,875	1,068,982
Property, plant and equipment	10	3,232,256	4,278,977
Investment in subsidiary	12	9,999	9,999
Cash and cash equivalents	13	365,000	615,000
		4,333,130	**5,972,958**
Current			
Inventories	14	97,049	90,706
Trade and other receivables	15	5,133,704	4,742,741
Cash and cash equivalents	13	1,031,203	973,905
		6,261,956	**5,807,352**
Total assets		**10,595,086**	**11,780,310**

Statement of financial position – continued

	Notes	2018	2017
		€	€
Equity			
Share capital	16.1	2,840,650	2,840,650
Additional paid-in capital	16.2	212,295	212,295
Accumulated losses		(781,627)	(530,231)
Total equity		**2,271,318**	**2,522,714**
Liabilities			
Non-current			
Borrowings	17	196,401	982,009
Trade and other payables	18	193,723	491,570
Deferred tax liability	19	293,294	238,357
		683,418	**1,711,936**
Current			
Borrowings	17	785,607	785,607
Current tax liability		860,972	760,976
Trade and other payables	18	5,993,771	5,999,077
		7,640,350	**7,545,660**
Total liabilities		**8,323,768**	**9,257,596**
Total equity and liabilities		**10,595,086**	**11,780,310**

The financial statements on pages 5 to 26 were approved by the board of directors, authorised for issue on 29 March 2019 and signed on its behalf by:

Johann Schembri
Director

Mark Bianchi
Director

Statement of changes in equity

	Share capital €	Additional paid-in capital €	Accumulated losses €	Total equity €
At 1 July 2016	2,840,650	212,295	(161,002)	2,891,943
Loss for the year	-	-	(369,229)	(369,229)
At 30 June 2017	**2,840,650**	**212,295**	**(530,231)**	**2,522,714**
At 1 July 2017	2,840,650	212,295	(530,231)	2,522,714
Loss for the year	-	-	(251,396)	(251,396)
At 30 June 2018	**2,840,650**	**212,295**	**(781,627)**	**2,271,318**

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

Statement of cash flows

	Notes	2018	2017
		€	€
Operating activities			
Loss before tax		(96,481)	(297,690)
Adjustments	20	1,821,421	1,723,035
Net changes in working capital	20	(831,410)	956,214
Interest received		-	145
Net cash generated from operating activities		**893,530**	**2,381,704**
Investing activities			
Payments to acquire intangible assets		(21,240)	-
Payments to acquire property, plant and equipment		(215,217)	(1,239,604)
Proceeds on disposal of property, plant and equipment		64,300	1,300
Net cash used in investing activities		**(172,157)**	**(1,238,304)**
Financing activities			
Bank loan repayments		(785,607)	(785,607)
Interest paid		(128,468)	(101,588)
Net cash used in financing activities		**(914,075)**	**(887,195)**
Net change in cash and cash equivalents		(192,702)	256,205
Cash and cash equivalents, beginning of year		1,588,905	1,332,700
Cash and cash equivalents, end of year	13	**1,396,203**	**1,588,905**

Notes to the financial statements

1 Nature of operations

The company was registered on 4 June 2010. The principal activity of the company is to manage and operate the Dragonara Casino.

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

Dragonara Gaming Limited, a private limited liability company, is incorporated and domiciled in Malta. The address of the company's registered office, which is also its principal place of business, is Dragonara Casino Complex, Dragonara Road, St. Julians, Malta. The parent company is Peninsula Gaming Group Limited with registered office and principal place of business at Level 11, Portomaso Business Tower, St. Julians, Malta. The ultimate parent company is Pinnacle Gaming Group Limited with registered office and principal place of business at Pinnacle Gaming Group, Level 11, Portomaso Business Tower, St. Julians, Malta.

The company's ultimate 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.

Dragonara Gaming Limited met all the other conditions specified under paragraph 4(a) of IFRS 10, *Consolidated Financial Statements* to be exempted from preparing consolidated financial statements. These financial statements therefore represent the separate financial statements of the company.

On 30 June 2010, the company was granted, by the Malta Gaming Authority, a licence to operate the Dragonara Casino.

The financial statements of the company have been prepared in accordance with IFRS as adopted by the European Union (EU), and in accordance with the Companies Act, Cap 386.

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

3 Changes in accounting policies

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

Amendments to IFRSs that became mandatorily effective in 2017, have no material impact on the company's financial results or position. Accordingly, the company has made no changes to its accounting policies in the year ended 30 June 2018.

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

At the date of authorisation of these financial statements, certain new standards, and amendments to existing standards have been published by the IASB that are not yet effective, and have not been adopted early by the company. Information on those expected to be relevant to the company's financial statements is provided below.

Management anticipates that all relevant pronouncements will be adopted in the company's accounting policies for the first period beginning after the effective date of the pronouncement. New standards, interpretations and amendments not either adopted or listed below are not expected to have a material impact on the company's financial statements.

IFRS 9 'Financial Instruments'

The IASB has released IFRS 9 'Financial Instruments', representing the completion of its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. 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 yet to assess the impact of IFRS 9 on these financial statements. The new standard is required to be applied for annual reporting periods beginning on or after 1 January 2018.

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 has not yet assessed the impact of IFRS 15 on the financial statements.

IFRS 16 'Leases'

IFRS 16 will replace IAS 17 'Leases' and three related Interpretations. It completes the IASB's long-running project to overhaul lease accounting. Leases will be recorded in the statement of financial position in the form of a right-of-use asset and a lease liability.

IFRS 16 is effective from periods beginning on or after 1 January 2019. Management is yet to fully assess the impact of the Standard and therefore is unable to provide quantified information. However, in order to determine the impact, the company is in the process of:

- performing a full review of all agreements to assess whether any additional contracts will become lease contracts under IFRS 16's new definition of a lease
- deciding which transitional provision to adopt; either full retrospective application or partial retrospective application (which means comparatives do not need to be restated). The partial application method also provides optional relief from reassessing whether contracts in place are, or contain, a lease, as well as other reliefs. Deciding which of these practical expedients to adopt is important as they are one-off choices
- assessing their current disclosures for operating leases (Note 11) as these are likely to form the basis of the amounts to be capitalised as right-of-use assets
- determining which optional accounting simplifications are available and whether to apply them
- assessing the additional disclosures that will be required.

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.

4.2 Presentation of financial statements

The financial statements are presented in accordance with IAS 1 *Presentation of Financial Statements* (Revised 2007).

4.3 Revenue

Revenue comprises income from gaming activities.

Revenue is measured by reference to the fair value of consideration received or receivable by the company for services provided, excluding VAT, rebates, and trade discounts.

Revenue is recognised when the amount of revenue can be measured reliably, collection is probable, the costs incurred or to be incurred can be measured reliably, and when the criteria for the company's activities have been met.

Gaming revenue

The company recognises revenues as the net win from gaming activities, which is the difference between gaming wins and losses.

The following specific recognition criteria must also be met before revenue is recognised:

Gaming tables

Revenue from gaming tables is recognised on the closure of the individual tables and represents the increase or decrease in each table's position after the settlement of client winnings.

Slot machines

Revenue from slot machines is recognised when machine counts are carried out and represents the increase or decrease in each machine's position net of client winnings.

Sports betting

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

Interest

Interest income is accrued on a time basis, by reference to the principal outstanding and interest rate applicable.

4.4 Operating expenses

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

4.5 Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease, where the lessee does not bear substantially all of the risks and rewards of ownership associated with the asset. Associated costs, such as maintenance and insurance, are expensed as incurred.

4.6 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported within 'finance costs'.

4.7 Foreign currency translation

Foreign currency transactions are translated into the functional currency of the company using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at year-end exchange rates are recognised in income statement.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the transaction date).

4.8 Intangible assets

Intangible assets include acquired software licences and concession fee. They are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described in note 4.10. The following useful lives are applied:

	%
Concession fee	10
Software	25

Amortisation has been included within 'depreciation and amortisation' in the income statement.

Concession fee is written off to the income statement by equal annual instalments over the term of the concession.

Acquired software is capitalised on the basis of the costs incurred to acquire and install the specific software.

Costs associated with maintaining computer software are expensed as incurred.

4.9 Property, plant and equipment

Items of property, plant and equipment are carried at acquisition cost less subsequent depreciation and impairment losses.

Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of property, plant and equipment as follows:

	%
Leasehold improvements	10
Plant and equipment	12.5 - 33
Office and computer equipment	25 - 33
Furniture, electrical and sanitary fittings	12.5 - 33

Material residual value estimates and estimates of useful life are updated as required, but at least annually, whether or not the asset is revalued.

4.10 Impairment testing of intangible assets and property, plant and equipment

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. The recoverable amount is the greater of its fair value less costs to sell and its value in use. To determine the value in use, the company's 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 their respective risk profiles as assessed by the company's management.

Impairment losses are recognised immediately in 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 depreciation or amortisation, if no impairment loss had been recognised.

4.11 Investment in subsidiary

Investment in subsidiary is included in the company's statement of financial position at cost less any impairment loss that may have arisen. Income from investment is recognised only to the extent of distributions received by the company from post-acquisition profits. Distributions received in excess of such profits are regarded as a recovery of the investment and are recognised as a reduction of the cost of the investment.

At each reporting date the company reviews the carrying amount of its investment in subsidiary to determine whether there is any indication of impairment and, if any such indication exists, the recoverable amount of the investment is estimated. An impairment loss is the amount by which the carrying amount of an investment exceeds its recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. An impairment loss that has been previously recognised is reversed if the carrying amount of the investment exceeds its recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of the investment does not exceed the carrying amount that would have been determined if no impairment loss had been previously recognised. Impairment losses and reversals are recognised immediately in income statement.

4.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of ordinarily interchangeable items are assigned using weighted average cost formula. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

4.13 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 other 'operating 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 cash equivalents and trade 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 borrowings and 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'.

4.14 Income taxes

Tax expense recognised in the income statement 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 periods, 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 they will be able to be utilised against future taxable income.

Deferred tax assets and liabilities are offset only when the company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in the income statement, 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.

4.15 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits.

4.16 Equity and reserves

Share capital represents the nominal value of shares that have been issued.

Additional paid-in capital represents any premium received on the issue of or discount from the payment to retire capital stock. Any transaction costs associated with the issue of shares are deducted from additional paid-in capital, net of any related income tax benefits. Further information on additional paid-in capital is provided in Note 16.2.

Accumulated losses include current and prior period results.

4.17 Provisions and contingent liabilities

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, product warranties granted, legal disputes or onerous contracts. Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

4.18 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 period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

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 (revised 2007).

5 Staff costs

	2018 €	2017 €
Wages and salaries	3,574,437	3,438,667
Social security costs	250,124	254,056
Other staff costs	81,901	134,056
	3,906,462	**3,826,779**
Wages and salaries recharged by subsidiary	47,941	56,921
Wages and salaries recharged to subsidiary	(42,092)	(16,764)
Wages and salaries recharged to fellow subsidiary	(81,140)	(31,304)
	3,831,171	**3,835,632**

The average number of persons employed by the company for the reporting periods presented were:

	2018 No.	2017 No.
Administration	16	15
Hospitality and gaming	127	130
Security and surveillance	23	24
	166	**169**

6 Finance income and finance costs

The following amounts may be analysed as follows for the reporting periods presented:

	2018 €	2017 €
Finance income		
Interest income from cash and cash equivalents	-	**145**
Finance costs		
Interest expense on borrowings at amortised cost	**128,469**	**101,588**

7 Loss before tax

The loss before tax is stated after charging:

	2018 €	2017 €
Auditor's remuneration	**22,820**	**24,107**

8 Tax expense

The relationship between the expected tax expense based on the effective tax rate of Dragonara Gaming Limited at 35% and the tax expense actually recognised in the income statement can be reconciled as follows:

	2018	2017
	€	€
Loss before tax	(96,481)	(297,690)
Tax rate	35%	35%
Expected tax income	**33,768**	**104,192**
Adjustment for:		
Non-deductible expenses	(188,959)	(175,781)
Difference in tax rate	-	50
Over provision in previous year	276	-
Actual tax expense, net	**(154,915)**	**(71,539)**
Comprising:		
Final withholding tax at 15%	-	(21)
Corporate tax at 35%	(99,978)	-
Deferred tax expense	(54,937)	(71,518)
	(154,915)	**(71,539)**

Refer to note 19 for information on the company's deferred tax assets and liabilities.

9 Intangible assets

Details of the company's intangible assets and their carrying amounts are as follows:

	Concession fee	Software	Total
	€	€	€
Gross carrying amount			
Balance at 1 July 2017	3,505,500	907,193	4,412,693
Additions	-	21,240	21,240
Balance at 30 June 2018	3,505,500	928,433	4,433,933
Amortisation			
Balance at 1 July 2017	2,453,850	889,861	3,343,711
Amortisation for the year	350,550	13,797	364,347
Balance at 30 June 2018	2,804,400	903,658	3,708,058
Carrying amount at 30 June 2018	**701,100**	**24,775**	**725,875**
Gross carrying amount			
Balance at 1 July 2016/30 June 2017	3,505,500	907,193	4,412,693
Amortisation			
Balance at 1 July 2016	2,103,300	851,116	2,954,416
Amortisation for the year	350,550	38,745	389,295
Balance at 30 June 2017	2,453,850	889,861	3,343,711
Carrying amount at 30 June 2017	**1,051,650**	**17,332**	**1,068,982**

Concession fee represents the amount paid to operate the Dragonara Casino. The validity of the concession is limited to the duration of the validity of the casino licence issued to the company by the Malta Gaming Authority, i.e. ten (10) years from the issue date of the licence on 30 June 2010.

All amortisation charges are included within 'depreciation and amortisation' in the income statement.

10 Property, plant and equipment

Details of the company's property, plant and equipment and their carrying amounts are as follows:

	Leasehold improvements	Plant and equipment	Office and computer equipment	Furniture, electrical and sanitary fittings	Work in progress	Total
	€	€	€	€	€	€
Gross carrying amount						
Balance at 1 July 2017	697,153	12,360,991	633,229	1,562,103	187,122	15,440,598
Additions	-	43,881	24,870	13,774	132,692	215,217
Disposals	-	(558,979)	-	-	-	(558,979)
Reclassification	-	181,593	-	-	(181,593)	-
Balance at 30 June 2018	697,153	12,027,486	658,099	1,575,877	138,221	15,096,836
Depreciation						
Balance at 1 July 2017	391,825	9,518,687	516,129	734,980	-	11,161,621
Charge for the year	95,553	921,988	54,007	190,390	-	1,261,938
Disposals	-	(558,979)	-	-	-	(558,979)
Balance at 30 June 2018	487,378	9,881,696	570,136	925,370	-	11,864,580
Carrying amount at 30 June 2018	**209,775**	**2,145,790**	**87,963**	**650,507**	**138,221**	**3,232,256**
Gross carrying amount						
Balance at 1 July 2016	546,202	11,727,934	624,026	1,215,902	102,790	14,216,854
Additions	150,951	644,309	13,811	346,201	84,332	1,239,604
Disposals	-	(11,252)	(4,608)	-	-	(15,860)
Balance at 30 June 2017	697,153	12,360,991	633,229	1,562,103	187,122	15,440,598
Depreciation						
Balance at 1 July 2016	307,217	8,524,550	461,961	547,171	-	9,840,899
Charge for the year	84,608	1,002,224	58,776	187,809	-	1,333,417
Disposals	-	(8,087)	(4,608)	-	-	(12,695)
Balance at 30 June 2017	391,825	9,518,687	516,129	734,980	-	11,161,621
Carrying amount at 30 June 2017	**305,328**	**2,842,304**	**117,100**	**827,123**	**187,122**	**4,278,977**

All depreciation charges are included within 'depreciation and amortisation' in the income statement.

11 Operating lease as lessee

The company's future minimum operating lease payments are as follows:

	2018	2017
	€	€
Within 1 year	1,209,225	1,209,225
Between 1 to 5 years	1,209,225	2,418,450
Total	**2,418,450**	**3,627,675**

Lease payments recognised as an expense during the year amounted to € 1,130,362 (2017: € 1,130,365). This amount consists of minimum lease payments. No sublease payments or contingent rent payments were made or received.

The lease agreement for the casino premises at Dragonara Casino, Dragonara Road, St Julians has a non-cancellable term of 10 years from 30 June 2010. The rent for the casino premises shall be € 1,051,500 per annum and shall, on the fifth anniversary from the commencement date, be increased by 15% on the rent then current. The rent shall in all cases be payable monthly in advance.

12 Investment in subsidiary

The company holds 99.9% voting and equity interest in Dragonara Catering Limited with registered address at Dragonara Casino Complex, Dragonara Road, St Julians, Malta. The subsidiary provides catering services to the casino. The shares are not publicly listed on a stock exchange and hence published price quotes are not available.

13 Cash and cash equivalents

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

	2018 €	2017 €
Non-current		
Cash at bank	365,000	365,000
Performance bond guarantee	-	250,000
	365,000	**615,000**
Current		
Cash at bank	233,726	249,339
Cash on hand	797,477	724,566
	1,031,203	**973,905**
	1,396,203	**1,588,905**

The non-current cash at bank refers to the security for a bank guarantee equivalent to the gaming reserve of € 365,000 issued in favour of the Malta Gaming Authority on behalf of the Government of Malta.

14 Inventories

Inventories recognised in the statement of financial position mainly comprise gaming table and slot machine consumables.

15 Trade and other receivables

	2018 €	2017 €
Trade receivables	12,767	15,407
Amounts owed by a subsidiary	270,255	605,950
Amounts owed by fellow subsidiaries	3,873,427	3,217,717
Amounts owed by parent company	522,158	522,157
Amounts owned by ultimate parent company	179,613	197,176
Other receivables	157,204	107,650
Financial assets	**5,015,424**	**4,666,057**
Prepayments	118,280	76,684
Trade and other receivables	**5,133,704**	**4,742,741**

Short term financial assets are carried at their nominal value which is considered a reasonable approximation of fair value.

The amounts owed by a subsidiary, fellow subsidiaries, parent company, ultimate parent company and related parties are unsecured, interest free and repayable on demand.

16 Equity

16.1 Share capital

The share capital of Dragonara Gaming Limited consists of ordinary A and B shares with a par value of € 0.10. Ordinary A and B shares shall rank equally, provided that ordinary A and B shareholders shall have the right to appoint, substitute and be represented on the board of directors of the company by up to four (4) and two (2) directors, respectively. However, the ordinary B shareholder shall not be entitled to receive dividends or distribution of assets on winding up. In all cases, the number of directors appointed by ordinary A shareholders shall always be twice the number of directors appointed by the ordinary B shareholder.

	2018 €	2017 €
Shares issued		
36,244,428 ordinary A shares of € 0.10 each and 76.72% paid up	2,780,649	2,780,649
600,000 ordinary A shares of € 0.10 each and 100% paid-up	60,000	60,000
1 ordinary B share of € 0.10 and 100% paid-up	1	1
	2,840,650	**2,840,650**
Shares authorised		
36,844,428 ordinary A shares of € 0.10 each	3,684,443	3,684,443
1 ordinary B share of € 0.10 and 100% paid-up	1	1
	3,684,444	**3,684,444**

16.2 Additional paid-in capital

Following the acquisition of its own shares, Dragonara Gaming Limited through an extraordinary resolution by the shareholders dated 31 July 2012 effected a reduction in its share capital by an equivalent amount of € 2,456,295 which represents the nominal value of the 'B' shares. On 21 November 2012, the said reduction in Dragonara Gaming Limited's share capital was finalised which resulted in the recognition of additional paid-in capital of € 212,295.

17 Borrowings

	2018 €	2017 €
Non-current		
Bank loan	196,401	982,009
	196,401	**982,009**
Current		
Bank loan	785,607	785,607
	785,607	**785,607**

The bank loan is secured by a general hypothec over the company's and related party's assets and a pledge over the shares of the company and its parent company.

The bank loan is repaid in quarterly instalments of € 196,401 excluding interest. The loan is subject to a margin that vary each applicable year from 1.75% to 3.50%, based upon the ratio of net financial debt to EBITDA.

18 Trade and other payables

	2018	2017
	€	€
Non-current		
Accrued rent	157,723	236,587
Financial liabilities	**157,723**	**236,587**
Statutory liabilities	36,000	254,983
	193,723	**491,570**
Current		
Trade payables	873,587	1,084,022
Capital creditors	40,426	95,734
Amounts due to fellow subsidiary	88,824	-
Accrued expenses	807,359	967,700
Other payables	100,800	5,800
Financial liabilities	**1,910,996**	**2,153,256**
Statutory liabilities	4,082,775	3,845,821
	5,993,771	**5,999,077**
Total trade and other payables	**6,187,494**	**6,490,647**

The carrying values of financial liabilities are considered to be a reasonable approximation of fair value.

The amounts due to fellow subsidiary are unsecured, interest free and repayable on demand.

19 Deferred tax liability

Deferred taxes arising from temporary differences and unabsorbed capital allowances can be summarised as follows:

	1 July 2017	Recognised in income statement	30 June 2018
	€	€	€
Non-current assets			
Intangible assets	(4,268)	1,658	(2,610)
Property, plant and equipment	(359,596)	13,709	(345,887)
Non-current liabilities			
Other liabilities	82,805	(27,602)	55,203
Current liabilities			
Provisions	39,845	(39,845)	-
Unabsorbed capital allowances	2,857	(2,857)	-
Total	**(238,357)**	**(54,937)**	**(293,294)**

	1 July 2016 €	Recognised in income statement €	30 June 2017 €
Non-current assets			
Intangible assets	(4,572)	304	(4,268)
Property, plant and equipment	(349,489)	(10,107)	(359,596)
Non-current liabilities			
Other liabilities	110,407	(27,602)	82,805
Current liabilities			
Provisions	76,815	(36,970)	39,845
Unabsorbed capital allowances	-	2,857	2,857
Total	(166,839)	(71,518)	(238,357)

All deferred tax liabilities have been recognised in the statement of financial position.

Refer to note 8 for information on the company's tax expense.

20 Cash flow adjustments and changes in working capital

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

	2018 €	2017 €
Adjustments:		
Depreciation and amortisation	1,626,285	1,722,712
Provision for jackpots and cash and bonus points	130,967	(102,985)
Interest income	-	(145)
Interest expense	128,469	101,588
(Gain) loss on disposal of plant and equipment	(64,300)	1,865
Total adjustments	**1,821,421**	**1,723,035**
Net changes in working capital:		
Change in inventories	(6,343)	(16,268)
Change in trade and other receivables	(390,963)	(400,654)
Change in trade and other payables	(434,104)	1,373,136
Total net changes in working capital	**(831,410)**	**956,214**

21 Related party transactions

The company's related parties include its ultimate parent company, parent company, subsidiary company, fellow subsidiary companies, key management and others as described below.

Unless otherwise stated, none of the transactions incorporates special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

21.1 Transactions with subsidiary

Dragonara Catering Limited, a subsidiary of the company, provides catering services for the Casino's clients. The subsidiary charges the company for complimentary food and beverages provided to the Casino's clients. The total complimentary food and beverage charged by the subsidiary in 2018 amounted to € 188,081 (2017: € 177,953).

Also, certain employees of the company provide services to Dragonara Catering Limited and vice versa. The salaries, wages and benefits for these employees are recharged to/from the subsidiary. During the reporting period under review, salaries, wages and benefits recharged to the subsidiary amounted to € 42,092 (2017: € 16,764), whilst recharges from the subsidiary amounted to € 47,941 (2017: € 56,921). See note 15 for the outstanding balance as at 30 June 2018 and 2017.

22 Contingent liabilities

	2018 €	2017 €
Guarantees given in the ordinary course of business	1,865,000	2,115,000

23 Financial instrument risk

Risk management objectives and policies

The company is exposed to credit risk, liquidity risk and market 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 risk to which the company is exposed are described below. See also note 23.4 for a summary of the company's financial assets and financial liabilities by category.

23.1 Credit risk

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

	Notes	2018 €	2017 €
Classes of financial assets – carrying amounts:			
Cash and cash equivalents	13	1,396,203	1,588,905
Trade and other receivables	15	5,015,424	4,666,057
		6,411,627	6,254,962

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 with high quality external credit ratings.

Guarantees given are included in note 22 above.

23.2 Liquidity risk

The company's exposure to liquidity risk arises from its obligations to meet its financial liabilities, which comprise interest bearing borrowings and trade and other payables (see notes 17 and 18). 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 instruments, as well as the company's committed borrowing facilities that it can access to meet liquidity needs.

As at 30 June 2018, the company's financial liabilities have contractual maturities as summarised below:

	Current		Non-current
	Within 6 months	6 to 12 months	1 to 5 years
	€	€	€
Bank loans	392,804	392,803	196,401
Trade and other payables	1,910,996	-	157,723
Total	**2,303,800**	**392,803**	**354,124**

As at 30 June 2017, the company's financial liabilities have contractual maturities as summarised below:

	Current		Non-current
	Within 6 Months	6 to 12 months	1 to 5 years
	€	€	€
Bank loans	392,804	392,803	982,009
Trade and other payables	2,153,256	-	236,587
Total	**2,546,060**	**392,803**	**1,218,596**

23.3 Market risk

Foreign currency risk

The company transacts business mainly in euro. Exposure to currency exchange rates arise from the company's sale and purchase of foreign currency to/from clients. However, foreign currency denominated financial assets and liabilities at the end of the financial reporting date under review are deemed negligible. Accordingly, the company's exposure to foreign exchange risk is not significant 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 reporting date is deemed not necessary.

Interest rate risk

The company is exposed to changes in market interest rates through its borrowings at variable interest rates.

The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of +/- 100 basis points, with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions.

The calculations are based on the company's borrowings held at the reporting date of the reporting period under review that are sensitive to changes in interest rates. All other variables are held constant.

	Profit for the year	
	€	€
	+100 bp	-100 bp
30 June 2018	**(9,820)**	**9,820**
30 June 2017	(17,676)	17,676

23.4 Summary of financial assets and financial liabilities by category

The carrying amounts of the company's financial assets and financial liabilities as recognised at the reporting date of the reporting period under review may also be categorised as follows. See note 4.13 for explanations about how the category of financial instruments affects their subsequent measurement.

	Notes	2018	2017
		€	€
Financial assets			
Non-current			
Loans and receivables:			
- Cash and cash equivalents	13	365,000	615,000
Current			
Loans and receivables:			
- Cash and cash equivalents	13	1,031,203	973,905
- Trade and other receivables	15	5,015,424	4,666,057
		6,411,627	**6,254,962**
Financial liabilities			
Financial liabilities measured at amortised cost:			
Non-current			
- Borrowings	17	196,401	982,009
- Trade and other payables	18	157,723	236,587
Current			
- Borrowings	17	785,607	785,607
- Trade and other payables	18	1,910,996	2,153,256
		3,050,727	**4,157,459**

24 Capital management policies and procedures

The company's capital management objectives are to ensure its ability to continue as a going concern and to provide an adequate return to shareholders through innovation, continuous improvement in quality service, resource utilisation, increasing the market share and flexibility.

25 Post reporting date events

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

Independent auditor's report

To the shareholders of Dragonara Gaming Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Dragonara Gaming Limited set out on pages 5 to 26 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 to 4 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.
- 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

29 March 2019

Authorised User Digital Signature:	ROC Representative Digital Signature:
Signer: Ekaterina GAVRIKOVA (Signature) Date: Mon, Aug 12, 2019 10:14:40 CEST	Signer: Raissa ACCARINO (Signature) Date: Sat, Aug 24, 2019 08:39:06 CEST