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Dragonara Gaming Limited

Report & Financial Statements

30 June 2020

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 2020.

Principal activities

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

Review of business development

The second half of this financial year was drastically impacted by the COVID-19 pandemic which had both short- and medium-term effects on the business of the company. As a matter of fact, in the first week of March 2020 the government started to gradually escalate public health restrictions in relation to the pandemic, which had a materially adverse effect on the business of the company as well an adverse effect on the wider economic activity in the country.

The primary impact of the restrictions was felt when the public health authorities imposed widespread closures across all hospitality, leisure and entertainment facilities, including land-based casinos, for a three-months' period, resulting in a complete halt of all the Company's revenue streams. Pursuant to the re-opening of the operations, the Company has gradually rebuilt its revenue base, seeking to catch up to the previous year levels. The negative financial impact of the closure and the wider revenue slowdown was partially softened by the government support in terms of the wage supplement for the Company's employees and from the proceeds received from the Loss of Business Insurance policy.

The actual performance trajectory of the Company can be better assessed when one analyses its performance for the first eight months of the year (period July 2019 – February 2020), prior to the introduction of the public health restrictions. For this period, revenues were 11.5% higher than the same period of the preceding year, at €12,544,665. Total EBITDA (excluding also intercompany charges) for this period registered an impressive increase of 88.5% when compared with previous year clearly evidencing the stability and validity of the company's business model whereby an 11.5% increase in revenue led to an 88.5% increase in the company's EBITDA compared with previous year. EBITDA is calculated as earnings before interest, taxes, depreciation, amortisation, intercompany recharges and after reversing the effects of IFRS 16 and taking into account the actual rental charges for the assets.

It is in this context that the Directors consider that the commercial fundamentals of the Company remain unaltered and capable of absorbing the negative impacts of the pandemic, clearly positioning the Company to bounce back as the undisputed leader in the land-based casino sector once the crisis subsides. This is even more so the case since the management utilised the closure period to reinvest in the product and its workforce through retraining them and transferring more knowledge on the Company's operations. This will ensure that our players will be offered the best possible level of service and gaming experience within a safe and regulated casino where players' safety and protection are principal core values embedded within our operations.

During this financial year, apart from adopting a more focused approach on the knowledge augmentation of the Company's talent, the Directors have also strived to strengthen the basis of the Company's strategy by investing further in product development and in streamlining further the Company's processes across all its functions. This is leading to the attainment of granular efficiencies and the entrenchment of a corporate culture of continuous improvement, which will serve as strong pillars to maximise value for the benefit of all stakeholders.

Future performance and events after the reporting date

On 3 November 2020, the company agreed with its bankers to renew and increase its borrowing facility to a total of €4,735,000 as part of the Company's financing strategy to strengthen its statement of affairs going forward over the longer term. The facilities are to be repaid over a period of 6 years with interest rate of 3% over the Business Lending Base Rate. The facilities are secured against the assets of the company, its parent company and the ultimate beneficial owner. Such granting of loan facilities by the bank clearly demonstrates how the company is perceived by key stakeholders and is a clear testament of the robustness of its business model in generating economic wealth and value.

Directors

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

Johann Schembri
Mark Bianchi
Franco Degabriele
Svetlana Buckova
Philip Bianchi (appointed on 31 July 2019)

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. Julian's
Malta

24 March 2021

Statement of comprehensive income

	Notes	2020	2019
		€	€
Revenue		13,863,567	16,627,441
Other income	6	633,822	307,872
Staff costs	7	(3,577,119)	(4,051,027)
Gaming tax		(4,080,503)	(4,987,908)
MGA licence fees		(150,734)	(101,006)
Other operating expenses		(3,930,137)	(6,446,133)
Depreciation and amortisation		(1,592,096)	(1,500,504)
Operating profit (loss)		**1,166,800**	**(151,265)**
Finance income	8	5	5
Finance costs	8	(881,806)	(114,922)
Profit (loss) before tax	9	**284,999**	**(266,182)**
Tax expense	10	(294,931)	(92,829)
Loss for the year		**(9,932)**	**(359,011)**
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss			
Revaluation of right-of-use asset		21,161,707	-
Tax effect of revaluation	10	(7,318,468)	-
Other comprehensive income for the year, net of tax		13,843,239	-
Total comprehensive income (loss) for the year		**13,805,707**	**(359,011)**

Statement of financial position

	Notes	2020	2019
		€	€
Assets			
Non-current			
Intangible assets	11	10,179	366,462
Property, plant and equipment	12	1,555,345	2,202,705
Right-of-use asset	14	37,500,000	-
Investment in subsidiary	15	9,999	9,999
Cash and cash equivalents	16	365,000	365,000
		39,440,523	**2,944,166**
Current			
Inventories	17	125,282	94,872
Trade and other receivables	18	7,374,676	5,858,560
Cash and cash equivalents	16	898,890	1,529,707
		8,398,848	**7,483,139**
Total assets		**47,839,371**	**10,427,305**

Statement of financial position – continued

	Notes	2020	2019
		€	€
Equity			
Share capital	19.1	2,840,650	2,840,650
Additional paid-in capital	19.2	212,295	212,295
Revaluation surplus	14	13,843,239	-
Accumulated losses		(1,178,170)	(1,140,638)
Total equity		**15,718,014**	**1,912,307**
Liabilities			
Non-current			
Lease liability	21	15,923,331	-
Trade and other payables	21	1,829,631	1,044,586
Deferred tax liability	23	7,149,297	144,156
		24,902,259	**1,188,742**
Current			
Borrowings	20	-	196,401
Current tax liability		1,067,742	1,067,742
Trade and other payables	22	6,151,356	6,062,113
		7,219,098	**7,326,256**
Total liabilities		**32,121,357**	**8,514,998**
Total equity and liabilities		**47,839,371**	**10,427,305**

The financial statements on pages 5 to 31 were approved by the board of directors, authorised for issue on 24 March 2021 and signed on its behalf by:

Johann Schembri
Director

Mark Bianchi
Director

Statement of changes in equity

	Share capital €	Additional paid-in capital €	Revaluation surplus €	Accumulated losses €	Total equity €
At 1 July 2018	2,840,650	212,295	-	(781,627)	2,271,318
Loss for the year	-	-	-	(359,011)	(359,011)
At 30 June 2019	**2,840,650**	**212,295**	**-**	**(1,140,638)**	**1,912,307**
At 1 July 2019	2,840,650	212,295	-	(1,140,638)	1,912,307
Deferred tax adjustment for adoption of IFRS 16	-	-	-	(27,600)	(27,601)
Loss for the year	-	-	-	(9,932)	(37,532)
Other comprehensive income	-	-	13,843,239	-	13,843,239
At 30 June 2020	**2,840,650**	**212,295**	**13,843,239**	**(1,178,170)**	**15,718,014**

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

Statement of cash flows

	Notes	2020	2019
		€	€
Operating activities			
Profit (loss) before tax		284,999	(266,182)
Adjustments	24	2,465,701	1,597,093
Net changes in working capital	24	(1,799,899)	202,127
Interest received		5	5
Interest paid		(103,667)	-
Net cash generated from operating activities		**847,139**	**1,533,043**
Investing activities			
Payments to acquire property, plant and equipment		(336,657)	(134,010)
Net cash used in investing activities		**(336,657)**	**(134,010)**
Financing activities			
Bank loan repayments		(196,401)	(785,607)
Interest paid on bank borrowings		(10,805)	(114,922)
Payments made to acquire leases		(434,093)	-
Interest paid on lease liability		(500,000)	-
Net cash used in financing activities		**(1,141,299)**	**(900,529)**
Net change in cash and cash equivalents		(630,817)	498,504
Cash and cash equivalents, beginning of year		1,894,707	1,396,203
Cash and cash equivalents, end of year	16	**1,263,890**	**1,894,707**

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. Julian's, Malta. The parent company is Peninsula Gaming Group Limited with registered office and principal place of business at Level 11, Portomaso Business Tower, St. Julian's, 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. Julian's, 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 Consideration of the effects of COVID-19

Following the outbreak of the COVID-19 pandemic, the directors have continued to actively monitor all developments currently taking place in Malta in order to take any immediate action to safeguard the interests of the company as changes in the business environment become more evident or any deterioration suspected. Such events are expected to have an impact on the performance and financial position of the company in the future due to any effects that this pandemic is having on the economy and the industry in which the company operates.

The results for the current year show that the company has achieved satisfactory results considering the closure of the company's premises for a 3-month period. Whilst the situation remains extremely fluid and future events may have an adverse effect on the company's profitability in the medium to longer term, as well as its liquidity and financial position, the outlook remains cautiously optimistic.

The company has continued its operations normally following the reopening of its premises. The company has taken all measures possible in order to protect its staff in line with Government guidelines and will continue to do so for a smooth transition into a period of uncertainty.

4 New or revised standards and interpretations

4.1 New standards adopted as at 1 January 2019

IFRS 16 'Leases'

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease').

The adoption of this new standard has resulted in the company recognising a right-of-use asset and related lease liability in connection with the new operating lease.

The new standard has been applied using the modified retrospective approach. Application of the new standard using the said approach did not result to any adjustment in the company's opening balance of retained earnings. Prior periods have not been restated.

The company has elected to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 January 2019. At this date, the company has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the company has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

The company has opted to show present right-of-use assets separately. There were therefore no changes to the group's property, plant and equipment and a further reconciliation is not required.

The company has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

4.2 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, amendments, and interpretations to existing standards have been published by the IASB but are not yet effective and have not been adopted early by the company.

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. No new standards, amendments and interpretations are expected to have a material impact on the company's financial statements.

5 Summary of accounting policies

5.1 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.

5.2 Presentation of financial statements

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

5.3 Revenue recognition

Revenue comprises income from gaming activities.

To determine whether to recognise revenue, the company follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied.

Revenue from contracts with customers is recognised when performance obligations have been satisfied and the consideration to which the company expects to be entitled to can be measured reliably.

The company evaluates all contractual arrangements it enters into and evaluates the nature of the promised goods or services, and rights and obligations under the arrangement, in determining the nature of its performance obligations. Where such performance obligations are capable of being distinct and are distinct in the context of the contract, the consideration the company expects to be entitled under the arrangement is allocated to each performance obligation based on their relative stand-alone selling prices. Revenue is recognised at an amount equal to the transaction price allocated to the specific performance obligation when it is satisfied, either at a point in time or over time, as applicable, based on the pattern of transfer of control.

Gaming revenues

Revenue is measured by reference to the fair value of consideration received or receivable by the company for goods supplied and 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.

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.

5.4 Other income

Other income relates to gratuities received from customers in the normal course of business and other income received that does not form part of the company's trading activities.

5.5 Operating expenses

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

5.6 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'.

5.7 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 the statement of the comprehensive income.

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

5.8 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 5.10. 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.

5.9 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.

5.10 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 the statement of comprehensive income. 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.

5.11 Leases

As described in note 4.1, the company has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means that comparative information is still reported under IAS 17 and IFRIC 4.

The company as a lessee

For any new contracts entered into on or after 1 July 2019, the company considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the company;
- the company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and

- the company has the right to direct the use of the identified asset throughout the period of use. The company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the company recognises a right of use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the commencement date (net of any incentives received).

Subsequent to initial measurement, the right-of-use asset is stated at revalued amounts. Revalued amounts are fair values based on appraisals prepared by external professional valuers annually or more frequently if market factors indicate a material change in fair value. Any revaluation surplus is recognised in other comprehensive income and credited to the revaluation reserve in equity. To the extent that any revaluation decrease or impairment loss (note 5.10) has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase recognised in other comprehensive income. Downward revaluations of right-of-use assets are recognised upon appraisal or impairment testing, with the decrease being charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and any remaining decrease recognised in profit or loss. Any revaluation surplus remaining in equity on disposal of the asset is transferred to retained earnings.

The company depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

At lease commencement date, the company measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

On the statement of financial position, the company has opted to disclose the right-of-use assets and lease liabilities as separate financial statement line items.

Accounting policy applicable before 1 July 2019

Operating leases as a lessee

All leases are treated as operating leases. Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the lease term, 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.

5.12 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 statement of comprehensive income.

5.13 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.

5.14 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the financial instrument.

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

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

The company does not have any financial assets categorised as FVTPL and FVOCI in the periods presented.

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in the income statement are presented within 'finance costs' or 'finance income'.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

• they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
• the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The company's cash and cash equivalents, trade and other receivables fall into this category of financial instruments.

Trade and other receivables

The company makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The company assess impairment of trade receivables on a collective basis as they possess share credit risk characteristics.

Classification and measurement of financial liabilities

The company's financial liabilities include trade and other payables and lease liabilities.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the company designates a financial liability at fair value through profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in the income statement are included within 'finance costs' or 'finance income'.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

5.15 Income taxes

Tax expense recognised in the statement of comprehensive income 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 statement of comprehensive income 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.

5.16 Cash and cash equivalents

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

5.17 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 19.2.

Accumulated losses include current and prior period results.

Revaluation surplus represents the increase in fair value of the right-of-use asset

5.18 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.

5.19 Significant management judgements in applying accounting policies and estimation uncertainty

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Significant management judgements

The following is a significant management judgement in applying the accounting policies of the company that has the most significant effect on the financial statements.

Recognition of deferred tax asset

The extent to which deferred tax asset can be recognised is based on an assessment of the probability of the company's future taxable income against which the deferred tax asset can be utilised. The assessment is based on the latest approved budget forecast and if a positive forecast of taxable income indicates the probable use of a deferred tax asset that deferred tax asset is recognised in full.

Fair value of right of use asset

The Company carries its right of use asset at fair value, with changes in fair value being recognised in the statement of other comprehensive income.

During the year ended 30 June 2020, the company obtained a third party valuation of the right of use asset using the income approach.

Right of use asset is classified as level 3 hierarchy.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Useful lives of depreciable assets

Management reviews its estimate of useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain plant and equipment.

Leases - Estimating the incremental borrowing rate

The company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the company's stand-alone credit rating).

6 Other income

	2020	2019
Other income	**€**	**€**
Gratuity income	232,229	291,654
Insurance income	387,582	-
Realised foreign exchange gains	8,934	12,306
Other income	5,077	3,912
	633,822	**307,872**

7 Staff costs

	2020 €	2019 €
Wages and salaries	3,390,967	3,816,071
Social security costs	259,092	262,070
Other staff costs	46,402	61,375
	3,696,461	**4,139,516**
Wages and salaries recharged by subsidiary	32,988	34,772
Wages and salaries recharged to subsidiary	(88,778)	(84,845)
Wages and salaries recharged to fellow subsidiary	(30,914)	(38,416)
Wages and salaries recharged to other related party	(32,638)	-
	3,577,119	**4,051,027**

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

	2020 No.	2019 No.
Administration	16	17
Hospitality and gaming	123	128
Security and surveillance	20	24
	159	**169**

8 Finance income and finance costs

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

	2020 €	2019 €
Finance income		
Interest income from cash and cash equivalents	**5**	**5**
Finance costs		
Interest expense on borrowings at amortised cost	10,806	42,297
Interest expense on lease liability	767,333	-
Interest expense on non-financial assets	103,667	72,625
	881,806	**114,922**

9 Loss before tax

The loss before tax is stated after charging:

	2020 €	2019 €
Directors' remuneration	**116,697**	**287,731**
Auditor's remuneration	**27,235**	**23,500**

10 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:

	2020	2019
	€	€
Profit / (loss) before tax	284,999	(266,182)
Tax rate	35%	35%
Expected tax (expense) / income	**(99,750)**	**93,164**
Adjustment for:		
Non-deductible expenses	(195,180)	(185,993)
Revaluation of immovable property	(7,318,468)	-
Actual tax expense, net	**(7,613,398)**	**(92,829)**
Comprising:		
Corporate tax at 35%	-	(241,966)
Losses surrendered from group companies	(635,823)	-
Deferred tax on an adjustment to the opening balance of retained earnings	27,601	-
Deferred tax expense recognised in profit or loss	313,292	149,137
Deferred tax expense recognised in other comprehensive income	(7,318,468)	-
	(7,613,398)	**(92,829)**

Refer to note 23 for information on the company's deferred tax assets and liabilities.

11 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 2019	3,505,500	928,433	4,433,933
Disposals	(3,505,500)	-	(3,505,500)
Balance at 30 June 2020	-	928,433	928,433
Amortisation			
Balance at 1 July 2019	3,154,950	912,521	4,067,471
Amortisation for the year	350,550	5,733	356,283
Released on disposal	(3,505,500)	-	(3,505,500)
Balance at 30 June 2020	-	918,254	918,254
Carrying amount at 30 June 2020	-	**10,179**	**10,179**
Gross carrying amount			
Balance at 1 July 2018 / 30 June 2019	3,505,500	928,433	4,433,933
Amortisation			
Balance at 1 July 2018	2,804,400	903,658	3,708,058
Amortisation for the year	350,550	8,863	359,413
Balance at 30 June 2019	3,154,950	912,521	4,067,471
Carrying amount at 30 June 2019	**350,550**	**15,912**	**366,462**

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 statement of comprehensive income.

12 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 2019	697,153	12,123,978	692,666	1,575,877	118,084	15,207,758
Additions	-	185,048	33,100	11,011	107,498	336,657
Balance at 30 June 2020	697,153	12,309,026	725,766	1,586,888	225,582	15,544,415
Depreciation						
Balance at 1 July 2019	580,752	10,737,462	624,878	1,061,961	-	13,005,053
Charge for the year	95,641	725,296	42,625	120,455	-	984,017
Balance at 30 June 2020	676,393	11,462,758	667,503	1,182,416	-	13,989,070
Carrying amount at 30 June 2020	**20,760**	**846,268**	**58,263**	**404,472**	**225,582**	**1,555,345**
Gross carrying amount						
Balance at 1 July 2018	697,153	12,027,486	658,099	1,575,877	138,221	15,096,836
Additions	-	31,679	36,415	-	65,916	134,010
Disposals	-	-	(1,848)	-	(21,240)	(23,088)
Reclassification	-	64,813	-	-	(64,813)	-
Balance at 30 June 2019	697,153	12,123,978	692,666	1,575,877	118,084	15,207,758
Depreciation						
Balance at 1 July 2018	487,378	9,881,696	570,136	925,370	-	11,864,580
Charge for the year	93,374	855,766	55,358	136,591	-	1,141,089
Disposals	-	-	(616)	-	-	(616)
Balance at 30 June 2019	580,752	10,737,462	624,878	1,061,961	-	13,005,053
Carrying amount at 30 June 2019	**116,401**	**1,386,516**	**67,788**	**513,916**	**118,084**	**2,202,705**

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

13 Operating lease as lessee

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

	2020	2019
	€	€
Within 1 year	-	1,209,225
Between 1 to 5 years	-	-
Total	-	**1,209,225**

Lease payments recognised as an income during the year amounted to € 72,232 (expense 2019: € 72,232). 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 Julian's 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.

During the year under review the company signed a new lease agreement for the Casino premises at Dragonara Casino, Dragonara Road, St. Julian's for a period of 64 years ending 8 March 2083. The rent for the casino premises shall be € 500,000 per annum for the first 15 years, €1,000,000 per annum for the next 5 years and an increase of 5% will apply every 5 years from year 21 onwards.

14 Right-of-use asset

Details of the company's right-of-use asset and its carrying amount can be analysed as follows:

	Leased property €
Cost	
Adjustment on transition to IFRS16	16,090,090
Present value of provision for restoration	500,000
Revaluation	21,161,707
At 30 June 2020	**37,751,797**
Accumulated depreciation	
Charge for the year	251,797
At 30 June 2020	**251,797**
Carrying amount at 30 June 2020	**37,500,000**

The depreciation charge on right-of-use assets was included in the statement of comprehensive income under "Administrative expenses".

15 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 Julian's, 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.

16 Cash and cash equivalents

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

	2020 €	2019 €
Non-current		
Cash at bank	365,000	365,000
	365,000	**365,000**
Current		
Cash at bank	202,040	782,819
Cash on hand	696,850	746,888
	898,890	**1,529,707**
	1,263,890	**1,894,707**

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.

17 Inventories

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

The amounts recognised as an expense in the year related to inventories is € 304,338 (2019: € 339,230)

18 Trade and other receivables

	2020 €	2019 €
Trade receivables	7,588	62,574
Accrued income	337,875	-
Amounts owed by a subsidiary	43,083	31,309
Amounts owed by fellow subsidiaries	5,217,340	4,513,962
Amounts owed by parent company	522,158	522,157
Amounts owned by ultimate parent company	477,443	293,782
Amounts owed by other related parties	535,553	-
Other receivables	103,806	348,098
Financial assets	**7,244,846**	**5,771,882**
Prepayments	129,830	86,678
Trade and other receivables	**7,374,676**	**5,858,560**

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.

19 Equity

19.1 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.

	2020 €	2019 €
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	-	-
	3,684,443	**3,684,443**

19.2 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.

20 Borrowings

	2020 €	2019 €
Current		
Bank loan	-	196,401
	-	196,401

The bank loan was 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 was 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. The bank loan was paid in full during the year under review.

21 Lease liability

Lease liability is included in the statement of financial position as follows:

	2020 €
Current	-
Non-current	15,923,331
	15,923,331

The company has a lease for the Dragonara Casino. The lease is included as a right-of-use asset in the statement of financial position. (see note 14).

Each lease generally imposes a restriction that, unless there is a contractual right for the company to sublet the asset to another party, the right-of-use asset can only be used by the company. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. The company is prohibited from lending or transferring the underlying leased assets. Upon termination, the right-of-use assets shall be returned to the lender in as good a condition as when received by the company, except for reasonable wear and tear. The company shall ensure that these assets are at all times kept in a good state of repair and return the shops in their original condition at the end of the lease.

Right-of-use assets	No of right-of-use assets leased	Range of remaining term	Average remaining lease term	No of leases with extension options	No of leases with termination options
Casino	1	63 years	63 years	-	-

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 30 June 2020 were as follows:

	Minimum lease payments			
	Not later than one year	Later than one year but not later than five years	Later than five years	Total
	€	€	€	€
30 June 2020				
Lease payments	500,000	2,000,000	65,449,053	67,949,053
Finance charges	(780,699)	(3,270,342)	(47,974,681)	(52,025,722)
Net present values	**(280,699)**	**(1,270,342)**	**14,620,100**	**15,923,331**

22 Trade and other payables

	2020	2019
	€	€
Non-current		
Provision for restoration	500,000	-
Statutory liabilities	1,329,631	1,044,586
	1,829,631	**1,044,586**
Current		
Trade payables	785,265	536,320
Capital creditors	7,498	(5,864)
Amounts due to fellow subsidiary	184,367	163,086
Accrued expenses	918,564	1,002,619
Other payables	136,500	134,500
Financial liabilities	**2,032,194**	**1,830,661**
Statutory liabilities	4,119,162	4,231,452
	6,151,356	**6,062,113**
Total trade and other payables	**7,980,987**	**7,106,699**

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.

Included within accrued expenses is a provision of € 310,100 (2019: € 310,100) due to previous employees in relation to settlements following court cases for unfair dismissal.

23 Deferred tax liability

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

	1 July 2019 €	Recognised in statement of comprehensive income €	30 June 2020 €
Non-current assets			
Intangible assets	(1,852)	148	(1,704)
Property, plant and equipment	(278,405)	159,049	(119,356)
Right of use asset	-	181,696	181,696
Revaluation of ROU asset	-	(7,318,468)	(7,318,468)
Non-current liabilities			
Other liabilities	27,601	(27,601)	-
Current liabilities			
Provisions	108,500	-	108,500
Total	**(144,156)**	**(7,005,176)**	**(7,149,332)**

	1 July 2018 €	Recognised in statement of comprehensive income €	30 June 2019 €
Non-current assets			
Intangible assets	(2,610)	758	(1,852)
Property, plant and equipment	(345,887)	67,482	(278,405)
Non-current liabilities			
Other liabilities	55,203	(27,602)	27,601
Current liabilities			
Provisions	-	108,500	108,500
Total	**(293,294)**	**125,353**	**(144,156)**

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

Refer to note 10 for information on the company's tax expense.

24 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:

	2020	2019
	€	€
Adjustments:		
Depreciation and amortisation	1,592,087	1,500,502
Provision for jackpots and cash and bonus points	(8,197)	(40,798)
Interest income	(5)	(5)
Interest expense	881,806	114,922
Loss (gain) on disposal of plant and equipment	-	22,472
Total adjustments	**2,465,701**	**1,597,093**
Net changes in working capital:		
Change in inventories	(30,410)	2,177
Change in trade and other receivables	(1,543,817)	(724,856)
Change in trade and other payables	(225,672)	924,806
Total net changes in working capital	**(1,799,899)**	**202,127**

25 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.

25.1 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 2020 amounted to € 202,194 (2019: € 228,658).

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 € 88,778 (2019: € 84,845), whilst recharges from the subsidiary amounted to € 30,914 (2019: € 30,235). See note 17 for the outstanding balance as at 30 June 2020 and 2019.

25.2 Transactions with directors

During the year ended 30 June 2020, the company advanced € Nil (2019: € 3,000) to Directors. As at year end, total amounts outstanding from was € 15,215 (2019: € 15,215).

During the year ended 30 June 2020, the Directors received remuneration of € 116,697 (2019: € 287,731).

25.3 Transactions with fellow subsidiaries

During the year ended 30 June 2020, the Company received € 1,816,638 (2019: € Nil) in relation to tax losses surrendered from a fellow subsidiary of the group. This resulted in a reduced tax payable of € 635,823 (2019 : €Nil).

26 Contingent liabilities

	2020 €	2019 €
Guarantees given in the ordinary course of business	2,300	1,865,000

27 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 27.4 for a summary of the company's financial assets and financial liabilities by category.

27.1 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	2020 €	2019 €
Classes of financial assets – carrying amounts:			
Cash and cash equivalents	16	1,263,890	1,894,707
Trade and other receivables	18	7,244,846	5,771,882
		8,508,736	**7,666,589**

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 26 above.

27.2 Liquidity risk

The company's exposure to liquidity risk arises from its obligations to meet its financial liabilities, which comprise interest bearing borrowings, lease liabilities and trade and other payables (see notes 19, 20 and 21). 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 2020, the company's financial liabilities have contractual maturities as summarised below:

	Current	Non-current	
	Within 1 Year	Between 1 year and 5 years	More the 5 years
	€	€	€
Trade and other payables	2,032,194	-	-
Provision for restoration	-	-	500,000
Lease liabilities	-	-	15,923,331
Total	**2,032,194**	**-**	**16,423,331**

As at 30 June 2019, 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	196,401	-	-
Trade and other payables	1,830,661	-	-
Total	**2,027,062**	**-**	**-**

27.3 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 2020	-	-
30 June 2019	(1,964)	1,964

27.4 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 5.14 for explanations about how the category of financial instruments affects their subsequent measurement.

	Notes	2020 €	2019 €
Financial assets			
Non-current			
Loans and receivables:			
- Cash and cash equivalents	16	365,000	365,000
Current			
Loans and receivables:			
- Cash and cash equivalents	16	898,890	1,529,707
- Trade and other receivables	18	7,244,846	5,771,882
		8,143,736	**7,301,589**
Financial liabilities			
Financial liabilities measured at amortised cost:			
Current			
- Borrowings	20	-	196,401
- Trade and other payables	22	2,032,194	1,830,661
		2,032,194	**2,027,062**
Non-current			
- Lease liabilities	21	15,923,331	-
- Provision for restoration	22	500,000	-
		16,423,331	-

28 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.

29 Post reporting date events

On 3 November 2020, the company agreed with its bankers to renew and increase its borrowing facility to a total of €4,735,000 as part of the Company's financing strategy to strengthen its statement of affairs going forward over the longer term. The facilities are to be repaid over a period of 6 years with interest rate of 3% over the Business Lending Base Rate. The facilities are secured against the assets of the company, its parent company and the ultimate beneficial owner. Such granting of loan facilities by the bank clearly demonstrates how the company is perceived by key stakeholders and is a clear testament of the robustness of its business model in generating economic wealth and value.

No adjusting or significant other 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 31 which comprise the statement of financial position as at 30 June 2020, 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 2020, 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
Triq l-Intornjatur, Zone 1
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Birkirkara CBD 1050
Malta

24 March 2021

Authorised User Digital Signature:	ROC Representative Digital Signature:
Signer: Stephanie MIFSUD MIZZI (Signature) Date: Tue, Mar 30, 2021 08:54:24 CEST	Signer: Raissa ACCARINO (Signature) Date: Sat, Apr 17, 2021 08:41:48 CEST