

Gaming Operations Limited  
Report & Financial Statements  
30 June 2019

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## Directors' report

The directors present their report and the audited financial statements for the year ended 30 June 2019.

### Principal activities

Gaming Operations Limited (the 'company') was registered on the 27 June 2002. The company's core activities are the management and operation of Video Lottery Terminals (VLT's), inclusive also of a fully-fledged sports betting service and commercial bingo which have remained unaltered since last year.

### Review of business development

The company is the leading operator in Malta in the controlled gaming premises sector and has prudently grown its model to gradually become the standard-setter in the industry, managing to leverage its position to evolve into a business with strong commercial fundamentals. The steady financial performance of the company was driven by four principal factors namely: (1) the creation of IZIBET as a world-class sports betting brand; (2) the pursuit of widespread distribution in prime locations across the islands with a material presence of 30 outlets; (3) the rationalisation of operational processes to maximise operational efficiencies; and (4) the introduction of innovative products that enhance the overall player experience.

Over the last five financial years, the Company has grown from strength to strength in both operational and financial performance. Operationally, the Company has reached very strong levels, clearly demonstrated by the results registered in the last financial year achieving the highest level of revenues since its inception having generated a gross revenue of €10,229,322, an increase of 5% compared with same period last year. Gross revenue is calculated as net player income before direct gaming taxes. Ninety- two (92%) percent of revenues were generated from the company's network of retail gaming shops, with the remaining revenues derived from the Company's commercial bingo operations. Net revenue, expressed as total revenue less direct gaming taxes, for 2019 stood at €8,383,797 an increase of 3% when compared with 2018.

Analysing the operational metrics of the Company, indicates that the Company enjoys a 72% market share of the controlled gaming premises retail industry, which is set to continue growing at a consistent pace over the coming years.

The EBITDA before gaming taxes for 2019 was registered at €4,801,414, with the overall EBITDA margin standing at 28%. For comparison purposes, EBITDA before gaming taxes does not include income and subsequent recharge of the company's intellectual property. When compared to 2018, EBITDA before gaming taxes increased marginally by 2.8%. This solid performance was achieved despite the fact that the Company incurred significantly higher payroll costs due to increases in the remuneration packages, a higher marketing spend and an increase in rent expense due to an addition of eight retail shops to the network which are expected to start operating during 2020.

During the year under review, the Company has also transferred the ownership and control held over its intellectual property assets (tradenames and domains) to Pinnacle IP Limited ("PIPL") which is controlled and beneficially owned by the same parent company, namely Pinnacle Gaming Group Limited. The transaction resulted in a realised profit on disposal of such assets of €28,977,234 which has been classified under other income in the statement of comprehensive income. The main objectives of this transaction were to firstly, hold all IPs into a separate company whose primary activity is to manage and control such

invaluable assets; secondly, to have the platform and infrastructure in place to leverage and exploit future opportunities whereby PIPL will generate income from the granting of rights to third parties to use the IP in their business model and thirdly to maximise the fiscal efficiency of the Company and the Group. This transaction is also a component in the Company's readiness to internationalise the IZIBET brand in other jurisdictions, over the coming years.

The Company has retained its corporate business strategy that focuses on the critical success factors that differentiates it from the competition. This is being complemented by an enterprise-wide effort to optimise cost structures and to digitise the internal processes to the largest extent possible, hence striving to achieve enhanced EBITDA margins as a result of improved efficiency-levels.

### **Future performance and events after the reporting date**

The future prospects of the Company are very strong and the directors expect the Company to continue to enhance its performance and enterprise value albeit the fact that the current COVID- 19 pandemic will disrupt the momentum during the short- term. The directors are of the opinion that it is premature to comment on the consequences of the events that are still unfolding and that they cannot make an estimate of the financial effect that these events may have on the company. To date the Company has taken all the necessary measures to manage the impact and build in the adequate levels of risk management practices to ensure that once the crisis starts subsiding, it can immediately restart operations in a safe and efficient manner (see note 25).

### **Directors**

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

Johann Schembri  
Franco De Gabriele  
Joseph Mallia  
Sergio Cappitta

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 ought to have taken as a director in order to make himself aware of any relevant information needed by the independent auditor in connection with preparing the audit report and to establish that the independent auditor is aware of that information.

### **Statement of directors' responsibilities**

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

- adopt the going concern basis unless it is inappropriate to presume that the company will continue in business;
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting 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 year.

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

**Auditor**

The auditor Grant Thornton has intimated its willingness to continue in office and a resolution proposing its reappointment will be put to the Annual General Meeting.



**Johann Schembri**  
Director

Registered address:  
Portomaso Business Tower  
Level 11, Portomaso  
St. Julian's  
Malta



**Joseph Maffia**  
Director

9 June 2020

## Statement of comprehensive income

	Notes	2019 €	2018 €
Net revenue		8,383,797	8,148,938
Direct costs		(5,503,220)	(5,147,558)
<b>Gross profit</b>		<b>2,880,577</b>	<b>3,001,380</b>
Administrative expenses		(1,413,663)	(1,087,685)
Finance costs	6	(32,161)	(51,027)
Other income	7	29,190,318	268,819
<b>Profit before tax</b>	8	<b>30,625,071</b>	<b>2,131,487</b>
Tax expense	9	(583,914)	(729,639)
<b>Profit for the year</b>		<b>30,041,157</b>	<b>1,401,848</b>

## Statement of financial position

	Notes	2019 €	2018 €
<b>Assets</b>			
<b>Non-current</b>			
Intangible asset	10	39,825	53,100
Property, plant and equipment	11	2,601,472	2,653,428
Deferred tax asset	12	15,661	599,575
Other non-current assets	14	83,422	14,777
		<b>2,740,380</b>	<b>3,320,880</b>
<b>Current</b>			
Inventories	15	89,583	89,183
Trade and other receivables	16	37,928,054	5,814,753
Cash and cash equivalents	17	368,217	519,939
		<b>38,385,854</b>	<b>6,423,875</b>
<b>Total assets</b>		<b>41,126,234</b>	<b>9,744,755</b>

## Statement of financial position – continued

	Notes	2019 €	2018 €
<b>Equity</b>			
Share capital	18	1,100,817	1,100,817
Retained earnings		28,609,258	(1,431,899)
Merger reserve		878,171	878,171
<b>Total equity</b>		<b>30,588,246</b>	<b>547,089</b>
<b>Liabilities</b>			
<b>Non-current</b>			
Borrowings	19	-	88,143
Trade and other payables	20	1,173,144	1,050,227
Tax payable		93,172	-
		<b>1,266,316</b>	<b>1,138,370</b>
<b>Current</b>			
Borrowings	19	104,681	91,677
Trade and other payables	20	8,771,010	7,476,853
Tax payable		395,981	490,766
		<b>9,271,672</b>	<b>8,059,296</b>
<b>Total liabilities</b>		<b>10,537,988</b>	<b>9,197,666</b>
<b>Total equity and liabilities</b>		<b>41,126,234</b>	<b>9,744,755</b>

The financial statements on pages 5 to 32 were approved by the board of directors, authorised for issue on 9 June 2020 and signed on its behalf by:

  
**Johann Schembri**  
 Director

  
**Joseph Mallia**  
 Director



## Statement of changes in equity

	Share capital €	Retained earnings €	Merger reserve €	Total equity €
<b>At 1 July 2017</b>	1,100,817	(2,833,747)	878,171	(854,759)
Profit for the year	-	1,401,848	-	1,401,848
<b>At 30 June 2018</b>	<b>1,100,817</b>	<b>(1,431,899)</b>	<b>878,171</b>	<b>547,089</b>
<b>At 1 July 2018</b>	1,100,817	(1,431,899)	878,171	547,089
Profit for the year	-	30,041,157	-	30,041,157
<b>At 30 June 2019</b>	<b>1,100,817</b>	<b>28,609,258</b>	<b>878,171</b>	<b>30,588,246</b>

Retained earnings includes all current and prior year results as disclosed in the statement of comprehensive income.

In accordance with the Companies Act, Cap 386, the merger reserve is non-distributable.

## Statement of cash flows

	Notes	2019 €	2018 €
<b>Operating activities</b>			
Profit before tax		30,625,071	2,131,487
Adjustments	21	(28,175,473)	658,396
Net changes in working capital	21	(1,547,256)	(2,215,714)
Tax paid		(1,613)	(50,955)
<b>Net cash generated from operating activities</b>		<b>900,729</b>	<b>523,214</b>
<b>Investing activities</b>			
Payments to acquire property, plant and equipment		(828,876)	(215,333)
Security deposit		(902)	(1,214)
Key monies and laudemium		(60,886)	-
Bank guarantee		(10,020)	-
<b>Net cash used in investing activities</b>		<b>(900,684)</b>	<b>(216,547)</b>
<b>Financing activities</b>			
Payment of bank loans		(75,139)	(86,577)
Interest paid		(22,379)	(37,754)
Payments made on finance lease obligation		(54,249)	(30,019)
<b>Net cash used in financing activities</b>		<b>(151,767)</b>	<b>(154,350)</b>
Net change in cash and cash equivalents		(151,722)	152,317
Cash and cash equivalents, beginning of year		519,939	367,622
<b>Cash and cash equivalents, end of year</b>	17	<b>368,217</b>	<b>519,939</b>

## Notes to the financial statements

### 1 Nature of operations

Gaming Operations Limited (the 'company') was registered on 27 June 2002. The company's principal activity is the operation of gaming activities licensed under the Lotteries and Other Games Act, Chapter 438 of the Laws of Malta.

### 2 General information and statement of compliance with International Financial Reporting Standards (IFRSs) and going concern assumption

Gaming Operations 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 Level 11, Portomaso Business Tower, St. Julian's, Malta. The parent company is Pinnacle Gaming Group Limited with the same registered office and principal place of business. The parent company prepares consolidated financial statements including the results of the company which are available for public inspection at the Registry of Companies in Malta.

The financial statements have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union (EU), and in accordance with the Companies Act, Cap 386. They have been prepared under the assumption that the company operates on a going concern basis.

The financial statements are presented in euro (€), which is also the company's functional currency. The amounts presented in the financial statements have been rounded to the nearest euro.

### 3 Changes in accounting policies

#### 3.1 New Standards adopted as at 1 July 2018

##### IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 Revenue from Contracts with Customers and the related Clarifications to IFRS 15 Revenue from Contracts with Customers (hereinafter referred to as IFRS 15) replace International Accounting Standard (IAS) 18 'Revenue', IAS 11 'Construction Contracts', and several revenue related Interpretations. Application of the standard is mandatory for periods beginning on 1 January 2018, with earlier adoption being permitted. In accordance with transition guidance, IFRS 15 has only been applied to contracts that are incomplete as at 1 January 2018. Upon assessment, the directors of the company concluded that the adoption of IFRS 15 did not have an impact on the amounts reported and disclosures made in these financial statements.

### **IFRS 9 'Financial Instruments'**

IFRS 9 replaces IAS 39 'Financial Instruments: Recognition and Measurement'. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' (ECL) model for the impairment of financial assets.

When adopting IFRS 9, the company has applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of IFRS 9 in relation to classification, measurement, and impairment are recognised in retained earnings.

Upon assessment, the directors of the company concluded that the adoption of IFRS 9, except for complying to the disclosures for the impairment requires of the standard, did not have an impact on the amounts reported in these financial statements.

Initial application of IFRS 9 did not result to any changes to the classification or measurement of financial assets and financial liabilities.

### **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, interpretations 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 16 'Leases'**

IFRS 16 will replace IAS 17 and three related Interpretations. It completes the IASB's long-running project to overhaul lease accounting. Leases will be recorded on 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 now become a lease under IFRS 16's new definition;
- assessing their current disclosures for operating leases as these are likely to form the basis of the amounts to be capitalised and become right-of-use assets;
- determining which optional accounting simplifications apply to their lease portfolio and if they are going to use these exemptions; and
- 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 IFRSs for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

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

The financial statements are presented in accordance with IAS 1, *Presentation of Financial Statements* (Revised 2007). The company did not have any items classified as 'other comprehensive income.'

### **4.2 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.

#### **Bingo**

Revenue from bingo is recognised on the sale of bingo tickets net of gaming taxes and 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.

#### **Sportsbook**

Revenue from sportsbook is recognised on gains and losses in respect of bets placed on sporting event in the year, net of promotional bonuses.

#### **Rental income**

The company earns rental income from sub-leasing an office space. Rental income is recognised on a straight-line basis over the term of the lease.

#### **Other income**

During the year ended 31 December 2019 the company sold intangible assets to another group company. Other income is recognised in line with the date of the sales agreement.

### **4.3 Expense recognition**

Expenses are recognised in the statement of comprehensive income upon utilisation of the service or as incurred.

### **4.4 Employee benefits**

Contributions toward the state pension in accordance with local legislation are recognised in the statement of comprehensive income when they are due.

### **4.5 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 denominated in foreign currency at year-end exchange rates are recognised in the statement of 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).

### **4.6 Leases**

#### **Operating lease**

Payments made under operating leases are recognised in the statement of comprehensive income 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.

Amount paid as key monies and laudemium to secure the certain properties to be rented by the company are capitalised and subsequently amortised over the term of the respective lease. Net carrying amount is presented in the financial statements among 'other non-current assets'.

#### Finance lease

Management applies judgment in considering the substance of a lease agreement and whether it transfers substantially all the risks and rewards incidental to ownership of the leased asset. Key factors considered include the length of the lease term in relation to the economic life of the asset, the present value of the minimum lease payments in relation to the assets value and whether the company obtains ownership of the asset at the end of the lease term.

Leases of motor vehicle where the company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are classified at the lease's inception at the fair value of the leased property or, if lower, the present value of minimum lease payments. The corresponding rental obligations, net of finance lease charges, are included in other short-term and long-term trade and other payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The motor vehicles acquired under finance leases are depreciated over the assets' useful lives or over the shorter of the assets' useful lives and the lease term if there is no reasonable certainty that the company will obtain ownership at the end of the lease term.

#### 4.7 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 in 'finance costs'.

#### 4.8 Intangible asset

Intangible asset represents software license which is initially measured at acquisition cost. Subsequently, it is carried at acquisition cost less amortisation and impairment losses.

Amortisation begins when the asset is available for use and continues until the asset is derecognised. Software license will be amortised on a straight-line basis to write down the cost and subject for impairment testing as described in note 4.10. The following useful life is as follows:

	%
Software license	15

Gains or losses arising on the disposal of intangible asset are determined as the difference between the disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income within 'other income' or 'administrative expenses'.

Subsequent expenditures on the maintenance of the software license 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:

	%
Gaming equipment	15
Electronic and computer equipment	15-25
Furniture and electrical fittings	15
Catering equipment	16.67
Motor vehicles	16.67

In the case of leasehold improvements, expected useful lives are determined by reference to comparable owned assets or over the term of the lease, if shorter.

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

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in the statement of comprehensive income within 'other income' or 'administrative expenses'.

#### **4.10 Impairment of intangible asset 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 units 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 units 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 units 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 units. 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 Business combinations**

Business combinations of entities not under common control are accounted for by applying the acquisition method in accordance with IFRS 3, *Business Combinations*. The acquisition method involves the recognition at fair value of all identifiable assets and liabilities of the acquiree at the acquisition date, including contingent liabilities regardless of whether or not they were recorded in the financial statements of the acquiree prior to acquisition. On initial recognition, the assets and liabilities of the acquiree are included in the statement of financial position of the company at their fair values, which are also used as the basis for subsequent measurement in accordance with the company's accounting policies. Goodwill is stated after separating out the identifiable intangible assets.

Goodwill represents the excess of acquisition cost over the fair value of the company's share of identifiable net assets of the acquiree at the date of acquisition. If the acquisition cost is less than the fair value of the company's share of identifiable net assets of the acquiree at date of acquisition, the gain on acquisition is recognised immediately in the income statement after reassessment.



A merger of entities under common control is accounted for by applying the pooling of interests method (predecessor accounting). Under this method, the financial statement items of the combining entities for the period in which the combination occurs and for any comparative periods disclosed are included in the financial statements of the company (the acquirer) as if they had been combined from the beginning of the earliest period presented. Any difference between the amount recorded as share capital issued plus any additional consideration in the form of cash or other assets and the amount recorded for the share capital acquired is adjusted against reserves.

#### **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 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 substantially all 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, other than those designated and effective as hedging instruments, are classified into the following categories:

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

In the years presented, the company does not have any financial assets categorised as FVTPL and FVOCI.

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 are presented within finance costs or finance income, except for impairment of receivables which is presented within 'administrative expenses'.

### **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 most other receivables fall into this category of financial instruments.

#### **Impairment of financial assets**

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements include loans and other debt-type financial assets measured at amortised cost, trade receivables (if any), contract assets recognised and measured under IFRS 15, where applicable.

Recognition of credit losses is no longer dependent on the company first identifying a credit loss event. Instead the company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

#### **Previous financial asset impairment under IAS 39**

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

### **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 the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating, the group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

### **Classification and subsequent measurement of financial liabilities**

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the company's financial liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below.

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

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. Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

All interest-related charges that are reported in profit or loss are included within finance costs or finance income.

### **4.14 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 the underlying tax loss or deductible temporary difference will 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 statement of comprehensive income, 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 in bank and cash on hand.

#### **4.16 Equity and reserves**

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

Retained earnings (accumulated losses) include current and prior period results.

The merger reserve was created on the merger of Pinnacle Catering Limited, a previous wholly-owned subsidiary of Gaming Operations Limited.

#### **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 IFRSs 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.

##### **Significant management judgement**

The following are significant management judgements in applying the accounting policies of the company that have the most significant effect on the financial statements.

##### **Recognition of deferred tax assets**

The assessment of the probability of future taxable income in which deferred tax asset can be utilised is based on the company's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to use of any unused tax loss or credit. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, that deferred tax asset is usually recognised in full.

#### Determining whether an arrangement contains a lease

The company uses its judgement in determining whether an arrangement contains a lease, based on the substance of the arrangement and makes assessment of whether it is dependent in the use of a specific asset or assets, conveys a right to use the asset and transfers substantially all the risks and rewards incidental to ownership to/from the company.

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 and estimates 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).

#### 5 Staff costs

	2019	2018
	€	€
Wages and salaries	1,977,809	1,698,436
Social security costs	118,113	103,286
	<u>2,095,922</u>	<u>1,801,722</u>

Total staff costs is presented in the statement of comprehensive income within 'direct costs' and 'administrative expenses' amounting to € 1,711,044 (2018: € 1,472,808) and € 384,878 (2018: € 328,914), respectively.

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

	2019	2018
	No.	No.
Administrative	9	8
Operations	96	79
	<u>105</u>	<u>87</u>

#### 6 Finance costs

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

	2019	2018
	€	€
Interest on borrowings at amortised cost	22,379	37,754
Interest on finance lease obligation	9,782	13,273
	<u>32,161</u>	<u>51,027</u>

#### 7 Other income

	2019	2018
	€	€
Gain on sale of intangible assets	28,977,234	-
Insurance claims	85,414	3,333
Waiver of interest payable	127,670	265,486
	<u>29,190,318</u>	<u>29,190,318</u>

**8 Profit before tax**

The profit before tax is stated after charging:

	2019 €	2018 €
Amortisation of intangible asset	13,275	13,275
Depreciation of property, plant and equipment	880,832	841,735
Auditor's remuneration	13,794	11,000
Director's remuneration	110,770	110,769

**9 Tax expense**

The relationship between the expected tax expense based on the effective tax rate of Gaming Operations Limited at 35% (2018: 35%) and the tax expense actually recognised in the statement of comprehensive income can be reconciled as follows:

	2019 €	2018 €
Profit before tax	30,625,071	2,131,487
Tax rate	35%	35%
<b>Expected tax expense</b>	<b>(10,718,775)</b>	<b>(746,020)</b>
<b>Adjustments for:</b>		
Non-deductible expenses	(51,855)	(56,146)
Non-taxable income	10,186,716	72,527
<b>Actual tax expense, net</b>	<b>(583,914)</b>	<b>(729,639)</b>
<b>Comprising:</b>		
Deferred tax from origination and reversal of temporary differences	<b>(583,914)</b>	<b>(729,639)</b>

Please refer to note 12 for information on the company's deferred tax asset.

## 10 Intangible assets

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

	Software license €	Trademarks and domains €	Total €
<b>Gross carrying amount</b>			
<b>Balance at 30 June 2018</b>	<b>88,500</b>	-	<b>88,500</b>
<b>Amortisation</b>			
Balance at 1 July 2017	22,125	-	22,125
Charge for the year	13,275	-	13,275
<b>Balance at 30 June 2018</b>	<b>35,400</b>	-	<b>35,400</b>
<b>Carrying amount at 30 June 2018</b>	<b>53,100</b>	-	<b>53,100</b>
<b>Gross carrying amount</b>			
Balance at 1 July 2018	88,500	-	88,500
Additions	-	22,766	22,766
Disposals	-	(22,766)	(22,766)
<b>Balance at 30 June 2019</b>	<b>88,500</b>	-	<b>88,500</b>
<b>Amortisation</b>			
Balance at 1 July 2018	35,400	-	35,400
Charge for the year	13,275	-	13,275
<b>Balance at 30 June 2019</b>	<b>48,675</b>	-	<b>48,675</b>
<b>Carrying amount at 30 June 2019</b>	<b>39,825</b>	-	<b>39,825</b>

Amortisation expense is included within 'administrative expenses' in the statement of comprehensive income.

## 11 Property, plant and equipment

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

	Leasehold improvements €	Gaming equipment €	Electronic and computer equipment €	Furniture and electrical fittings €	Catering equipment €	Work in progress €	Motor vehicles €	Total €
<b>Gross carrying amount</b>								
Balance at 1 July 2017	744,012	3,526,873	1,187,678	2,443,312	52,209	20,770	195,539	8,170,393
Additions	5,250	118,500	35,853	41,280	398	14,052	-	215,333
Reclassification	16,770	-	-	-	-	(16,770)	-	-
<b>Balance at 30 June 2018</b>	<b>766,032</b>	<b>3,645,373</b>	<b>1,223,531</b>	<b>2,484,592</b>	<b>52,607</b>	<b>18,052</b>	<b>195,539</b>	<b>8,385,726</b>
<b>Depreciation and impairment</b>								
Balance at 1 July 2017	414,317	1,706,216	1,006,805	1,670,223	26,462	-	66,540	4,890,563
Charge for the year	60,239	460,608	60,875	218,700	8,723	-	32,590	841,735
<b>Balance at 30 June 2018</b>	<b>474,556</b>	<b>2,166,824</b>	<b>1,067,680</b>	<b>1,888,923</b>	<b>35,185</b>	<b>-</b>	<b>99,130</b>	<b>5,732,298</b>
<b>Carrying amount at 30 June 2018</b>	<b>291,476</b>	<b>1,478,549</b>	<b>155,851</b>	<b>595,669</b>	<b>17,422</b>	<b>18,052</b>	<b>96,409</b>	<b>2,653,428</b>
<b>Gross carrying amount</b>								
Balance at 1 July 2018	766,032	3,645,373	1,223,531	2,484,592	52,607	18,052	195,539	8,385,726
Additions	65,726	190,544	208,768	261,285	269	102,284	-	828,876
Reclassification	8,244	-	10,902	32,774	-	(51,920)	-	-
<b>Balance at 30 June 2019</b>	<b>840,002</b>	<b>3,835,917</b>	<b>1,443,201</b>	<b>2,778,651</b>	<b>52,876</b>	<b>68,416</b>	<b>195,539</b>	<b>9,214,602</b>
<b>Depreciation and impairment</b>								
Balance at 1 July 2018	474,556	2,166,824	1,067,680	1,888,923	35,185	-	99,130	5,732,298
Charge for the year	70,065	479,840	80,937	208,606	8,794	-	32,590	880,832
<b>Balance at 30 June 2019</b>	<b>544,621</b>	<b>2,646,664</b>	<b>1,148,617</b>	<b>2,097,529</b>	<b>43,979</b>	<b>-</b>	<b>131,720</b>	<b>6,613,130</b>
<b>Carrying amount at 30 June 2019</b>	<b>295,381</b>	<b>1,189,253</b>	<b>294,584</b>	<b>681,122</b>	<b>8,897</b>	<b>68,416</b>	<b>63,819</b>	<b>2,601,472</b>



Motor vehicles include the following amounts where the company is a lessee under a finance lease (refer to note 13.2).

	2019 €	2018 €
Motor vehicles under finance lease		
Cost	108,600	108,600
Accumulated depreciation	(79,515)	(61,998)
<b>Net book value</b>	<b>29,084</b>	<b>46,602</b>

Depreciation expenses are presented within the financial statements through the following classifications:

	2019 €	2018 €
Direct costs	667,712	628,244
Administrative expenses	213,120	213,491
	<b>880,832</b>	<b>841,735</b>

## 12 Deferred tax asset

Deferred tax asset arising from temporary differences can be summarised as follows:

	1 July 2018 €	Recognised in the statement of comprehensive income €	30 June 2019 €
<b>Non-current assets</b>			
Property, plant and equipment	(345,111)	68,150	(276,961)
<b>Current liability</b>			
Trade and other payables	250,714	15,379	266,093
Unused tax losses	546,973	(520,444)	26,529
Unused capital allowances	146,999	(146,999)	-
<b>Total</b>	<b>599,575</b>	<b>(583,912)</b>	<b>15,661</b>

Deferred tax for the comparative period 2018 can be summarised as follows:

	1 July 2017 €	Recognised in the statement of comprehensive income €	30 June 2018 €
<b>Non-current assets</b>			
Property, plant and equipment	(433,520)	88,409	(345,111)
<b>Current liability</b>			
Trade and other payables	240,495	10,219	250,714
Unused tax losses	546,973	-	546,973
Unused capital allowances	975,266	(828,267)	146,999
<b>Total</b>	<b>1,329,214</b>	<b>(729,639)</b>	<b>599,575</b>

### 13 Leases

#### 13.1 Operating leases – company as lessee

The company leases an office space and various shops for its video lottery terminal and bingo operations. The company's future minimum operating lease payments are as follows:

	2019 €	2018 €
Within 1 year	859,137	725,104
Between 1 to 5 years	3,465,209	3,138,289
After 5 years	3,565,664	3,725,751
<b>Total</b>	<b>7,890,010</b>	<b>7,589,144</b>

Lease payments during the period amounted to € 705,571 (2018: € 808,600), representing the minimum lease payments.

#### 13.2 Finance lease

The future minimum finance lease payments for these assets held under finance lease as at 30 June are as follows:

	2019 €	2018 €
<b>Minimum lease payments</b>		
- not later than one year	30,758	30,755
- later than one year and not later than five years	16,144	46,908
	<b>46,902</b>	<b>77,663</b>
<b>Future finance charges</b>		
- not later than one year	5,433	9,794
- later than one year and not later than five years	1,685	7,118
	<b>7,118</b>	<b>16,912</b>
<b>Present value of minimum lease payments</b>		
- not later than one year	25,325	20,961
- later than one year and not later than five years	14,459	39,790
	<b>39,784</b>	<b>60,751</b>
<b>Included in the financial statements as:</b>		
Trade and other payables – current	25,325	20,961
Long-term payables	14,459	39,790
	<b>39,784</b>	<b>60,751</b>

The company leased five of its motor vehicles under finance lease. The lease term is 6 years. The lease agreement gives the company option to acquire ownership of the asset by the end of the lease term.

The interest rate underlying all obligations under finance leases are fixed at respective contract dates at 19.05% (2018: 19.05%) per annum.

#### 14 Other non-current assets

The company's other non-current assets include the following:

	2019 €	2018 €
Key monies and laudemium	60,827	3,104
Bank guarantee	15,951	5,931
Security deposits	6,644	5,742
	<u>83,422</u>	<u>14,777</u>

The company paid key monies and laudemium in order to secure certain properties to be rented by the company. These are amortised over the lease terms of the respective properties.

	2019 €	2018 €
Cost	109,738	48,852
Accumulated amortisation	(48,911)	(45,748)
	<u>60,827</u>	<u>3,104</u>

The movement in key monies and laudemium during the year is summarised as follows:

	2019 €	2018 €
<b>Gross carrying amount</b>		
Balance at beginning of year	48,852	48,852
Additions	60,886	-
Balance at end of year	<u>109,738</u>	<u>48,852</u>
<b>Amortisation</b>		
Balance at beginning of year	45,748	44,968
Charge for the year	962	-
Amounts written off	2,201	780
Balance at end of year	<u>48,911</u>	<u>45,748</u>
<b>Net carrying amount</b>	<u>60,827</u>	<u>3,104</u>

Amortisation is included within 'administrative expenses' in the statement of comprehensive income.

#### 15 Inventories

Inventories recognised in the statement of financial position comprise slot machine tickets, bingo cards and other gaming consumables.

	2019 €	2018 €
Slot machine tickets	28,808	35,209
Bingo cards	23,418	27,176
Other gaming consumables	37,357	26,798
	<u>89,583</u>	<u>89,183</u>

## 16 Trade and other receivables

	2019 €	2018 €
Trade receivables	3,951	2,392
Accrued income	61,635	1,190
Amounts owed by parent company	37,830,901	5,709,419
<b>Financial assets</b>	<b>37,896,487</b>	<b>5,713,001</b>
Advances to suppliers	-	15,345
Prepayments	31,567	86,407
<b>Trade and other receivables</b>	<b>37,928,054</b>	<b>5,814,753</b>

All amounts are short-term. The net carrying values of financial assets are considered a reasonable approximation of fair value.

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

## 17 Cash and cash equivalents

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

	2019 €	2018 €
Cash in bank	5,634	138,306
Cash on hand	362,583	381,633
	<b>368,217</b>	<b>519,939</b>

## 18 Share capital

The share capital of Gaming Operations Limited consists of ordinary shares with par value of € 2.329373.

All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting of Gaming Operations Limited.

	2019 €	2018 €
<b>Shares authorised</b>		
1,287,901 ordinary shares of € 2.329373 each	<b>3,000,002</b>	<b>3,000,002</b>
<b>Shares issued and fully paid</b>		
472,581 ordinary shares of € 2.329373 each	<b>1,100,817</b>	<b>1,100,817</b>

## 19 Borrowings

	2019 €	2018 €
<b>Non-current</b>		
Bank loan	-	88,143
	<u>-</u>	<u>88,143</u>
<b>Current</b>		
Bank loan	104,681	91,677
	<u>104,681</u>	<u>91,677</u>
<b>Total borrowings</b>	<u>104,681</u>	<u>179,820</u>

On 14 April 2015, management obtained an agreement with the bank to restructure the loan balance with monthly instalments of € 8,300 due up to June 2020. Interest thereon is set at 5.65% per annum. The loan is secured by a general hypothec over the company's assets by general and hypothecary guarantees given by third parties and guarantees given by related companies.

## 20 Trade and other payables

	2019 €	2018 €
<b>Non-current</b>		
Accrued rent	760,267	716,328
Obligation under finance lease	14,459	39,790
<b>Financial liabilities</b>	<u>774,726</u>	<u>756,118</u>
Statutory liabilities	398,418	294,109
	<u>1,173,144</u>	<u>1,050,227</u>
<b>Current</b>		
Trade payables	865,135	730,510
Amounts owed to group companies	4,525,369	3,884,824
Obligation under finance lease	25,325	20,961
Accruals	337,628	262,727
Other payables	73,208	180,280
<b>Financial liabilities</b>	<u>5,826,665</u>	<u>5,079,302</u>
Statutory liabilities	2,944,345	2,397,551
	<u>8,771,010</u>	<u>7,476,853</u>
<b>Total trade and other payables</b>	<u>9,944,154</u>	<u>8,527,080</u>

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

The amounts owed to group companies are unsecured, interest free and repayable on demand.

## 21 Cash flow adjustments and changes in working capital

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

	2019	2018
	€	€
<b>Adjustments:</b>		
Depreciation and amortisation	895,069	855,790
Interest expense	32,161	51,027
Write-off of interest payable	(127,670)	(265,486)
Write-off of other non-current asset	2,201	17,065
Gain on sale of intangible assets	(28,977,234)	-
	<b>(28,175,473)</b>	<b>658,396</b>
<b>Net changes in working capital:</b>		
Change in inventories	(400)	(27,926)
Change in trade and other receivables	(3,136,067)	(3,105,736)
Change in trade and other payables	1,589,211	917,948
	<b>(1,547,256)</b>	<b>(2,215,714)</b>

## 22 Related party transactions

The company's related parties include its parent company, fellow subsidiary companies, companies under common control by its shareholders and key management.

Unless otherwise stated, none of the transactions incorporates special terms and conditions and no guarantees were given or received. Transactions with related parties are generally on cost plus basis. Outstanding balances are usually settled in cash.

Amounts owed by/to related parties are shown separately in notes 16 and 20.

The company entered into the following transactions with its related parties during the year:

	2019	2018
	€	€
Income from sale of intellectual property	29,000,000	-
Charge for the use of intellectual property	(310,823)	-
Expenses paid by the parent company on behalf of the company	(174,018)	(132,508)
Expenses recharged to other group companies	57,153	-
Loan interest charged from the parent company	(14,694)	(32,301)
Net advances to other related parties	1,013,096	552,457
Net advances to the parent company	725,000	873,500
Net advances to the ultimate shareholder	1,239,602	1,181,505
Directors remuneration	110,770	110,769

The company considers the only key management personnel to be the directors.

The ultimate controlling party is considered to be Mr. J. Schembri as 100% shareholder of the parent company.

## 23 Contingent liabilities

	2019 €	2018 €
Guarantees given in the ordinary course of business	<u>209,960</u>	<u>199,907</u>

## 24 Financial instruments 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 in the succeeding pages. See also note 24.4 for a summary of the company's financial assets and liabilities by category.

### 24.1 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	2019 €	2018 €
<b>Classes of financial assets - carrying amounts:</b>			
Bank guarantee	14	15,951	5,931
Security deposits	14	6,644	5,742
Trade and other receivables	16	37,896,487	5,713,001
Cash and cash equivalents	17	368,217	519,939
		<u>38,287,299</u>	<u>6,244,613</u>

The company continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The company's policy is to deal only with creditworthy counterparties. None of the company's financial assets is secured by collateral or other credit enhancements.

Trade and other receivables comprise amount owed by parent company. The company's concentration to credit risk arising from these receivables are considered limited as there were no indications that these counterparties are unable to meet their obligations. Management considers these to be of good credit quality. Management does not consider these receivables to have deteriorated in credit quality and the effect of management's estimate of the 12-month credit loss has been determined to be insignificant to the results of the company.

The company holds money exclusively with an institution having high quality external credit ratings. The cash and cash equivalents held with such bank are callable on demand. The bank with whom cash and cash equivalents are held forms part of an international group with A-3 credit rating by Standard & Poor's and similar high ratings by other agencies. Management considers the possibility of default to be close to zero and the amount calculated using the 12-month ECL model to be very insignificant. Therefore, no loss allowance has been recognized.

## 24.2 Liquidity risk

The company's exposure to liquidity risk arises from its obligations to meet its financial liabilities, which comprise interest bearing borrowings, other non-current liabilities and trade and other payables (see notes 19 and 20). 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 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 €	later than 5 years €
Bank loans	49,800	49,800	-	-
Trade and other payables	5,826,665	-	134,293	640,433
<b>Total</b>	<b>5,876,465</b>	<b>49,800</b>	<b>134,293</b>	<b>640,433</b>

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 €	later than 5 years €
Bank loans	49,800	49,800	90,514	-
Trade and other payables	5,079,302	-	143,284	612,834
<b>Total</b>	<b>5,129,102</b>	<b>49,800</b>	<b>233,798</b>	<b>612,834</b>

## 24.3 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 statement of comprehensive income 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's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually at fixed rates. At 30 June 2019, the company's borrowings are at fixed interest rates.



#### 24.4 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	2019 €	2018 €
<b>Non-current assets</b>			
Financial assets at amortised cost:			
- Bank guarantees	14	15,951	5,931
- Security deposits	14	6,644	5,742
<b>Current assets</b>			
Financial assets at amortised cost:			
- Trade and other receivables	16	37,896,487	5,713,001
- Cash and cash equivalents	17	368,217	519,939
		<b>38,287,299</b>	<b>6,244,613</b>
<b>Non-current liabilities</b>			
Financial liabilities measured at amortised cost:			
- Borrowings	19	-	88,143
- Trade and other payables	20	774,726	756,118
<b>Current liabilities</b>			
Financial liabilities measured at amortised cost:			
- Borrowings	19	104,681	91,677
- Trade and other payables	20	5,826,665	5,079,302
		<b>6,706,072</b>	<b>6,015,240</b>

#### 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.

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

#### 25 Post reporting date events

Following the outbreak of the COVID-19 pandemic, the directors are monitoring the situation and taking immediate action to safeguard the interests of the company. To date the company's operations have been curtailed due to the mandatory closure of its premises in line with local government legislation.

The directors are of the opinion that it is premature to comment on the consequences of the events that are still unfolding and that they cannot make an estimate of the financial effect that these events may have on the company. These events may adversely affect the company's current and future performance and future financial position. The financial statements do not include any adjustments that may be required should the company not realise the full value of its assets and discharge its liabilities in the normal course of business as a result of the prevailing situation.

## **Independent auditor's report**

To the shareholders of Gaming Operations Limited

### **Report on the audit of the financial statements**

#### **Opinion**

We have audited the financial statements of Gaming Operations Limited set out on pages 5 to 32 which comprise the statement of financial position as at 30 June 2019, and the statement of comprehensive income, 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 2019, 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 IFRSs as adopted by the EU and are properly prepared in accordance with the provisions of the Act, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Report on other legal and regulatory requirements**

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

- adequate accounting records have not been kept;
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report to you in respect of these responsibilities.

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



Mark Bugeja (Partner) for and on behalf of

**GRANT THORNTON  
Certified Public Accountants**

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9 June 2020

