

Gaming Operations Limited

Report & Financial Statements

30 June 2021

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Directors' report

The directors present their report and the audited financial statements for the year ended 30 June 2021.

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

Following a similar pattern to the one experienced in the previous year, the Company's financial year was materially impacted by the ongoing effects of the Covid-19 pandemic. Three key factors have primarily impacted the performance of the Company in this financial period:

1. Closure: due to the heightening numbers of infections, the public health authorities mandated a second closure of all hospitality-related and entertainment venues, including the larger part of the operations of the IZIBET retail stores. In fact the VLT and Bingo operations of the Company were halted for a full quarter between 11th March and 6th June 2021, with the only vertical still in operation being Sports Betting.
2. Sports events: the global slowdown (and in many instances outright cancellation) of the main sports activities and competitions have led to a drastically decreased portfolio of gaming offerings, directly impacting the potential market that could be tapped in from a sports betting perspective.
3. Labour costs: despite the de facto standstill of the entire operation, in line with its core values, the Company adopted a policy to retain all its workforce and not declare any redundancies throughout this commercially challenging period. The financial impact of the labour costs was partly offset by the Wage Supplement extended by the Government for the period, which mitigated the overall cost to the Company.

In the context of these negative factors, the net revenue of the Company amounted to €5,786,964 which represents a drop of 14.7% (€995,871) compared to the previous financial year. This drop in revenue resulted in an EBITDA of €793,442. In essence, due to the fact that the Company managed to keep the operational expenses and overheads in line with those of the previous year, the drop of €995,871 in net revenue, resulted in a linear reduction in EBITDA of €955,857, which is entirely attributable to the adverse impact of the pandemic situation.

Despite the negative landscape fuelled by the pandemic situation, the performance of the Company in this difficult year confirms its strong fundamentals and commercial resilience, which is reflected by its strong market positioning in the land-based retail segment of the market. From a financial position, the Directors note that the Company retains its strength with a net equity of €28,044,394. The directors anticipate that the next financial year will be one which reflects a period of post-pandemic stabilisation in which, although still prevalent, public health restrictions may not be as restrictive as in the previous years, particularly due to highly successful vaccination programme.

In this regard, the Directors will retain their strategic focus on the consolidation of its retail operations, the further expansion of its products, the accelerated digitisation of its gaming portfolio and the further sustainability of its exceptional compliance record. In line with its group strategy, the next phase of growth will be one through which the Company will venture in the international markets to leverage its knowledge and intellectual property to provide management services in other jurisdictions.

Directors

The following have served as directors of the company during the year 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



Joseph Malla
Director

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

27 December 2021

Statement of comprehensive income

	Notes	2021 €	2020 €
Net revenue		5,786,964	6,782,835
Direct costs		(4,784,708)	(4,728,454)
Gross profit		1,002,256	2,054,381
Administrative expenses		(1,894,651)	(2,909,855)
Finance costs	6	(358,268)	(297,542)
Other income	7	524,380	221,295
Loss before tax	8	(726,283)	(931,721)
Tax income	9	228,569	243,069
Loss for the year		(497,714)	(688,652)


Statement of financial position

	Notes	2021 €	2020 €
Assets			
Non-current			
Intangible asset	10	32,757	49,362
Property, plant and equipment	11	1,916,105	2,262,652
Right-of-use assets	13	4,624,254	4,044,415
Deferred tax asset	12	221,206	-
Other non-current assets	14	11,746	21,963
		6,806,068	6,378,392
Current			
Inventories	15	95,032	88,718
Trade and other receivables	16	40,309,300	38,524,408
Cash and cash equivalents	17	556,404	467,530
		40,960,736	39,080,656
Total assets		47,766,804	45,459,048

Statement of financial position – continued

	Notes	2021 €	2020 €
Equity			
Share capital	18	1,100,820	1,100,817
Merger reserve		878,171	878,171
Retained earnings		26,065,403	26,563,117
Total equity		28,044,394	28,542,105
Liabilities			
Non-current			
Borrowings	19	3,746,069	-
Trade and other payables	20	887,039	229,854
Lease liabilities	13	5,842,378	5,214,600
Deferred tax liability	12	-	7,363
		10,475,486	5,451,817
Current			
Borrowings	19	416,422	60,181
Trade and other payables	20	8,107,914	10,149,648
Lease liabilities	13	722,588	742,851
Tax payable		-	512,446
		9,246,924	11,465,126
Total liabilities		19,722,410	16,916,943
Total equity and liabilities		47,766,804	45,459,048

The financial statements on pages 5 to 32 were approved by the board of directors, authorised for issue on 27 December 2021 and signed on its behalf by:


Johann Schembri
 Director


Joseph Mallia
 Director

Statement of changes in equity

	Share capital €	Merger reserve €	Retained earnings €	Total equity €
At 1 July 2019	1,100,817	878,171	28,609,258	30,588,246
Adjustments from adoption of IFRS 16	-	-	(1,091,396)	(1,091,396)
Deferred tax adjustment	-	-	(266,093)	(266,093)
Adjusted balances at 1 July 2020	1,100,817	878,171	27,251,769	29,230,757
Loss for the year	-	-	(688,652)	(688,652)
At 30 June 2020	1,100,817	878,171	26,563,117	28,542,105
At 1 July 2020	1,100,817	878,171	26,563,117	28,542,105
Issuance of share capital	3	-	-	3
Loss for the year	-	-	(497,714)	(497,714)
At 30 June 2021	1,100,820	878,171	26,065,403	28,044,394

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	2021 €	2020 €
Operating activities			
Loss before tax		(726,283)	(931,721)
Adjustments	21	1,784,350	1,937,015
Net changes in working capital	21	(3,175,755)	257,667
Tax paid		(512,446)	-
Net cash (used in) generated from operating activities		(2,630,134)	1,262,961
Investing activities			
Payments to acquire intangible asset		(420)	(25,000)
Payments to acquire property, plant and equipment		(495,562)	(618,029)
Security deposit		200	632
Bank guarantee		10,020	-
Net cash used in investing activities		(485,762)	(642,397)
Financing activities			
Proceeds of bank loans		4,102,310	-
Payment of bank loans		-	(44,500)
Interest paid on bank loans		(49,295)	-
Interest paid on lease obligations		(308,973)	(6,980)
Payments made on lease obligations		(539,272)	(469,771)
Net cash generated from (used in) financing activities		3,204,770	(521,251)
Net change in cash and cash equivalents		88,874	99,313
Cash and cash equivalents, beginning of year		467,530	368,217
Cash and cash equivalents, end of year	17	556,404	467,530

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 IZI Group p.l.c. (formerly known as 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 2020

A number of new and revised standards are effective for annual periods beginning on or after 1 January 2020. These and other amendments to IFRS that became mandatorily effective in 2020 have no material impact on the company's financial results or position. Accordingly, the company has made no changes to its accounting policies in 2020.

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, several new, but not yet effective, standards, amendments to existing standards, and interpretations have been published by the IASB. None of these standards, amendments or interpretations have 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. 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.

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

Other income is recognised in the statement of comprehensive income on an accrual basis.

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

The company as a lessee

The company makes the use of leasing arrangements principally for the provision of office space, motor vehicles and various shops for its video lottery terminals and bingo operations. The rental contracts are typically negotiated for a term of 5-20 years. The company does not enter into sale and leaseback arrangements. All the leases are negotiated on an individual basis and contain a wide variety of different terms and conditions such as purchase options and escalation clauses.

The company assesses whether a contract is or contains a lease at inception of the contract. A lease conveys the right to direct the use and obtain substantially all of the economic benefits of an identified asset for a period of time in exchange for consideration.

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 lease commencement date (net of any incentives received).

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. The company also assesses the right-of-use asset for impairment when such indicators exist.

At the 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.

The lease liability is reassessed when there is a change in the lease payments. Changes in lease payments arise from a change in the lease term or a change in the assessment of an option to purchase a leased asset. The revised lease payments are discounted using the company's incremental borrowing rate at the date of reassessment when the rate implicit in the lease cannot be readily determined. The amount of the remeasurement of the lease liability is reflected as an adjustment to the carrying amount of the right-of-use asset. The exception being when the carrying amount of the right-of-use asset has been reduced to zero then any excess is recognised in profit or loss.

Payments under leases can also change when there is either a change in the amounts expected to be paid under residual value guarantees or when future payments change through an index or a rate used to determine those payments, including changes in market rental rates following a market rent review. The lease liability is remeasured only when the adjustment to lease payments takes effect and the revised contractual payments for the remainder of the lease term are discounted using an unchanged discount rate. Except for where the change in lease payments results from a change in floating interest rates, in which case the discount rate is amended to reflect the change in interest rates.

The remeasurement of the lease liability is dealt with by a reduction in the carrying amount of the right-of-use asset to reflect the full or partial termination of the lease for lease modifications that reduce the scope of the lease. Any gain or loss relating to the partial or full termination of the lease is recognised in profit or loss. The right-of-use asset is adjusted for all other lease modifications.

The company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets and finance lease liabilities have been presented separately.

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, property, plant and equipment and right-of-use assets

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 other receivables (except prepayments) fall into this category of financial instruments.

Impairment of financial assets

IFRS 9's impairment requirements use forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) 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.

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.

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

The company's financial liabilities include borrowings, lease liabilities and trade and other payables (except statutory 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. 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 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.

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).

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

	2021	2020
	€	€
Wages and salaries	2,508,299	1,950,161
Social security costs	112,166	123,865
	<u>2,620,465</u>	<u>2,074,026</u>

Total staff costs is presented in the statement of comprehensive income within 'direct costs' and 'administrative expenses' amounting to € 2,005,340 (2020: € 1,647,240) and € 615,125 (2020: € 426,786), respectively.

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

	2021	2020
	No.	No.
Administrative	11	9
Operations	111	99
	<u>122</u>	<u>108</u>

6 Finance costs

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

	2021	2020
	€	€
Interest on borrowings at amortised cost	49,295	6,980
Interest on lease liabilities	308,973	290,562
	<u>358,268</u>	<u>297,542</u>

7 Other income

	2021	2020
	€	€
Covid-19 wages supplement	437,291	221,295
Waiver of rent payable	68,317	-
Miscellaneous income	18,772	-
	<u>524,380</u>	<u>221,295</u>

8 Loss before tax

The loss before tax is stated after charging:

	2021	2020
	€	€
Amortisation of intangible asset	17,025	15,463
Depreciation of property, plant and equipment	842,109	956,849
Depreciation of right-of-use assets	635,265	667,161
Auditor's remuneration	15,920	19,910
Directors' remuneration	110,771	110,769

9 Tax income

The relationship between the expected tax income based on the effective tax rate of Gaming Operations Limited at 35% (2020: 35%) and the tax income actually recognised in the statement of comprehensive income can be reconciled as follows:

	2021 €	2020 €
Loss before tax	(726,283)	(931,721)
Tax rate	35%	35%
Expected tax income	254,199	326,102
Adjustments for:		
Non-deductible expenses	(25,630)	(83,033)
Actual tax income, net	228,569	243,069
Comprising:		
Deferred tax on an adjustment to the opening balance of retained earnings	-	266,093
Deferred tax from origination and reversal of temporary differences	228,569	(23,024)
	228,569	243,069

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

10 Intangible assets

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

	Software license €	Trademarks and domains €	Total €
Gross carrying amount			
Balance at 1 July 2019	88,500	-	88,500
Additions	25,000	-	25,000
Balance at 30 June 2020	113,500	-	113,500
Amortisation			
Balance at 1 July 2019	48,675	-	48,675
Charge for the year	15,463	-	15,463
Balance at 30 June 2020	64,138	-	64,138
Carrying amount at 30 June 2020	49,362	-	49,362
Gross carrying amount			
Balance at 1 July 2020	113,500	-	113,500
Additions	-	420	420
Balance at 30 June 2021	113,500	420	113,920
Amortisation			
Balance at 1 July 2020	64,138	-	64,138
Charge for the year	17,025	-	17,025
Balance at 30 June 2021	81,163	-	81,163
Carrying amount at 30 June 2021	32,337	420	32,757

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
	€	€	€	€	€	€	€	€
Gross carrying amount								
Balance at 1 July 2019	840,002	3,835,917	1,443,201	2,778,651	52,876	68,416	195,539	9,214,602
Additions	22,625	155,787	212,872	213,560	987	12,198	-	618,029
Reclassification	53,576	2,100	7,105	17,820	13	(80,614)	-	-
Balance at 30 June 2020	916,203	3,993,804	1,663,178	3,010,031	53,876	-	195,539	9,832,631
Depreciation and impairment								
Balance at 1 July 2019	544,621	2,646,664	1,148,617	2,097,529	43,979	-	131,720	6,613,130
Charge for the year	75,014	511,442	128,135	201,205	8,464	-	32,589	956,849
Balance at 30 June 2020	619,635	3,158,106	1,276,752	2,298,734	52,443	-	164,309	7,569,979
Carrying amount at 30 June 2020	296,568	835,698	386,426	711,297	1,433	-	31,230	2,262,652
Gross carrying amount								
Balance at 1 July 2020	916,203	3,993,804	1,663,178	3,010,031	53,876	-	195,539	9,832,631
Additions	28,251	68,270	70,860	75,853	313	92,066	159,949	495,562
Reclassification	34,950	-	4,752	25,035	-	(64,737)	-	-
Balance at 30 June 2021	979,404	4,062,074	1,738,790	3,110,919	54,189	27,329	355,488	10,328,193
Depreciation and impairment								
Balance at 1 July 2020	619,635	3,158,106	1,276,752	2,298,734	52,443	-	164,309	7,569,979
Charge for the year	78,734	388,655	148,640	188,247	321	-	37,512	842,109
Balance at 30 June 2021	698,369	3,546,761	1,425,392	2,486,981	52,764	-	201,821	8,412,088
Carrying amount at 30 June 2021	281,035	515,313	313,398	623,938	1,425	27,329	153,667	1,916,105

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

	2021 €	2020 €
Motor vehicles		
Cost	268,550	108,600
Accumulated depreciation	(121,118)	(97,856)
Net book value	147,432	10,744

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

	2021 €	2020 €
Direct costs	608,852	708,009
Administrative expenses	233,257	248,840
	842,109	956,849

12 Deferred tax asset / liability

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

	1 July 2020 €	Recognised in the statement of comprehensive income €	30 June 2021 €
Non-current assets			
Property, plant and equipment	(161,076)	81,847	(79,229)
Right-of-use assets	27,863	14,403	42,266
Unused tax losses	27,297	-	27,297
Unused capital allowances	98,553	132,319	230,872
Total	(7,363)	228,569	221,206

Deferred tax for the comparative period 2020 can be summarised as follows:

	1 July 2019 €	Recognised in the statement of comprehensive income €	30 June 2020 €
Non-current assets			
Property, plant and equipment	(276,961)	115,885	(161,076)
Right-of-use assets	-	27,863	27,863
Trade and other payables	266,093	(266,093)	-
Unused tax losses	26,529	768	27,297
Unused capital allowances	-	98,553	98,553
Total	15,661	(23,024)	(7,363)

13 Leases

13.1 Right-of-use assets

	€
Cost	
Adjustment on adoption of IFRS 16 on 1 July 2019	4,711,576
Additions	-
At 30 June 2020	4,711,576
At 1 July 2020	4,711,576
Additions	1,215,104
At 30 June 2021	5,926,680
Accumulated depreciation	
At 1 July 2019	-
Charge for the year	667,161
At 30 June 2020	667,161
At 1 July 2020	667,161
Charge for the year	635,265
At 30 June 2021	1,302,426
Carrying amount at 30 June 2020	4,044,415
Carrying amount at 30 June 2021	4,624,254

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

	2021	2020
	€	€
Direct costs	527,813	117,348
Administrative expenses	107,452	549,813
	635,265	667,161

13.2 Leases – company as lessee

The company leases motor vehicles, an office space and various shops for its video lottery terminal and bingo operations.

The lease liabilities are presented in the statement in the financial position as follows:

	2021	2020
	€	€
Current	722,588	742,851
Non-current	5,842,378	5,214,600
	6,564,966	5,957,451

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

	2021 €	2020 €
Minimum lease payments		
- not later than one year	1,031,364	998,602
- later than one year and not later than five years	3,364,242	2,854,944
- later than five years	4,016,634	3,711,237
	8,412,240	7,564,783
Future finance charges		
- not later than one year	308,776	255,751
- later than one year and not later than five years	917,561	770,164
- later than five years	620,937	581,417
	1,847,274	1,607,332
Present value of minimum lease payments		
- not later than one year	722,588	742,851
- later than one year and not later than five years	2,446,681	2,084,780
- later than five years	3,395,697	3,129,820
	6,564,966	5,957,451

14 Other non-current assets

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

	2021 €	2020 €
Bank guarantee	5,931	15,951
Security deposits	5,812	6,012
Other assets	3	-
	11,746	21,963

15 Inventories

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

	2021 €	2020 €
Slot machine tickets	42,474	23,391
Bingo cards	10,979	13,714
Other gaming consumables	41,579	51,613
	95,032	88,718

16 Trade and other receivables

	2021	2020
	€	€
Trade receivables	11,741	7,378
Accrued income	12,876	18,546
Amounts owed by parent company	40,264,457	38,479,200
Other receivables	-	4,172
Financial assets	40,289,074	38,509,296
Prepayments	20,226	15,112
Trade and other receivables	40,309,300	38,524,408

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:

	2021	2020
	€	€
Cash in bank	8,949	52,918
Cash on hand	547,455	414,612
	556,404	467,530

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.

	2021	2020
	€	€
Shares authorised		
1,287,901 ordinary shares of € 2.329373 each	3,000,002	3,000,002
Shares issued and fully paid		
472,582 (2020: 472,581) ordinary shares of € 2.329373 each	1,100,820	1,100,817

19 Borrowings

	2021 €	2020 €
Non-current		
Bank loans	3,746,069	-
	<u>3,746,069</u>	<u>-</u>
Current		
Bank loans	416,422	-
Bank overdraft	-	60,181
	<u>416,422</u>	<u>60,181</u>

On 3 November 2020, the company agreed with its bankers to renew and increase its borrowing facility to a total of € 4,485,000 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 1.5% to 5.15% per annum. The loans are 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

	2021 €	2020 €
Non-current		
Statutory liabilities	887,039	229,854
	<u>887,039</u>	<u>229,854</u>
Current		
Trade payables	773,530	1,382,732
Amounts owed to group companies	6,143,572	5,228,687
Accruals	271,495	288,072
Other payables	65,897	35,826
Financial liabilities	<u>7,254,494</u>	<u>6,935,317</u>
Statutory liabilities	853,420	3,214,331
	<u>8,107,914</u>	<u>10,149,648</u>
Total trade and other payables	<u>8,994,953</u>	<u>10,379,502</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 loss before tax to arrive at operating cash flow:

	2021 €	2020 €
Adjustments:		
Depreciation and amortisation	1,494,399	1,639,473
Interest expense	358,268	297,542
Waiver of rent payable	(68,317)	-
	<u>1,784,350</u>	<u>1,937,015</u>
Net changes in working capital:		
Change in inventories	(6,314)	865
Change in trade and other receivables	(1,784,892)	(1,001,890)
Change in trade and other payables	(1,384,549)	1,258,692
	<u>(3,175,755)</u>	<u>257,667</u>

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:

	2021 €	2020 €
Charge for the use of intellectual property	(570,145)	(1,622,120)
Salaries recharged by the parent	(270,870)	-
Loan interest charged from the parent company	-	(4,545)
Director's remuneration	(110,771)	(110,769)

The company considers the only key management personnel to be the directors. Amounts paid to Directors are disclosed separately in note 8.

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

23 Contingent liabilities

	2021 €	2020 €
Guarantees given in the ordinary course of business	<u>65,781</u>	<u>209,980</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	2021 €	2020 €
Classes of financial assets - carrying amounts:			
Bank guarantee	14	5,931	15,951
Security deposits	14	5,812	6,012
Trade and other receivables	16	40,289,074	38,509,296
Cash and cash equivalents	17	556,404	467,530
		<u>40,857,221</u>	<u>38,998,789</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 BBB - 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 2021, the company's financial liabilities have contractual maturities as summarised below:

	Current Within 1 year €	Non-current 1 to 5 years €	later than 5 years €
Borrowings	416,422	3,361,122	384,947
Trade and other payables	7,254,494	-	-
Lease liabilities	722,588	2,446,681	3,395,697
Total	8,393,504	5,807,803	3,780,644

As at 30 June 2020, the company's financial liabilities have contractual maturities as summarised below:

	Current Within 1 year €	Non-current 1 to 5 years €	later than 5 years €
Borrowings	60,181	-	-
Trade and other payables	6,935,317	-	-
Lease liabilities	742,851	2,084,780	3,129,820
Total	7,738,349	2,084,780	3,129,820

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 2021, 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	2021 €	2020 €
Non-current assets			
Financial assets at amortised cost:			
- Bank guarantees	14	5,931	15,951
- Security deposits	14	5,812	6,012
Current assets			
Financial assets at amortised cost:			
- Trade and other receivables	16	40,289,074	38,509,296
- Cash and cash equivalents	17	556,404	467,530
		<u>40,857,221</u>	<u>38,998,789</u>
Non-current liabilities			
Financial liabilities measured at amortised cost:			
- Borrowings	19	3,746,069	-
- Lease liabilities	13	5,842,378	5,214,600
Current liabilities			
Financial liabilities measured at amortised cost:			
- Borrowings	19	416,422	60,181
- Trade and other payables	20	7,254,494	6,935,317
- Lease liabilities	13	722,588	742,851
		<u>17,981,951</u>	<u>12,952,949</u>

25 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.

26 Post reporting date events

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

Independent auditor's report

To the shareholders of 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 2021, 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 2021, 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

Fort Business Centre
Triq L-Intornjatur, Zone 1
Central Business District
Birkirkara CBD 1050
Malta

27 December 2021

