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EveryMatrix Holding p.l.c.

Report and financial statements

31 December 2016

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EveryMatrix Holding p.l.c.

Directors, officer and other information

Directors:	Ebbe Groes Stian Hornsletten Norbert Teufelberger Jan Gottlander Jorn Marius Therkelsen
Secretary:	Claudia Sammut
Registered office:	Suite 1A, Level 5, Portomaso Tower, Vjal Portomaso, St. Julians, Malta
Country of incorporation:	Malta
Company registration number:	C 44407
Auditor:	Deloitte Audit Limited Deloitte Place Mriehel Bypass Mriehel Malta
Bankers:	Mediterranean Bank plc 63, South Street, Valletta Malta Bank of Valletta p.l.c. BOV Centre, Cannon Road, St. Venera, Malta Nordea Bank Danmark A/S Lyngby Hovedgade 98, 2800 Kgs. Lyngby, Denmark

EveryMatrix Holding p.l.c.

Directors, officer and other information(continued)

Bankers (continued):	APB TechComBank AP BAC Techcombank Tower, 191 Ba Trieu, Trungtechcombank Tower, Hai Ba Trung District, Ha Noi, Vietnam
	UniCredit Bank SA 1F, Expozitjei Blvd, 1st District, Bucharest Romania
	Satabank p.l.c., Aragon House, Dragonara Road St. Julians, Malta.

EveryMatrix Holding p.l.c.

Directors' report

Year ended 31 December 2016

The directors present their report and the audited financial statements of the group and the company for the year ended 31 December 2016.

Principal activities

The group holds gaming licenses issued by various jurisdictions including a Class 1 on 4, a Class 2 on 4 and a Class 2 remote gaming licenses issued by the Malta Gaming Authority. During the year under review, the group also obtained a remote gaming license from the Irish and the Danish Gaming Regulators. The group's principal activities are the development and licensing of software and the provision of ancillary services for the online remote gaming industry.

The group's gaming applications which include online casino, slots, live gaming and fixed-odds events are fully integrated and compatible and can be freely incorporated as stand-alone applications, which are accessed by the operators' players.

The group has received a Payment Services license from the MFSA on one of the subsidiaries in order to expand its activity outside the gambling sector.

The company was established to act as a Holding Company, and invest, subscribe, hold, purchase or otherwise acquire shares, investments and other instruments in any other company or business, and to sell or otherwise dispose of the same.

Performance review

During the year under review, the group reported revenue of *EUR57,614,603* (2015 – *EUR52,264,182*) earning an operating profit of *EUR1,093,111* (2015 – *EUR480,551*).

After taking into consideration net finance costs and investment income, the group reported a profit before tax of *EUR1,005,523* (2015 – *EUR489,271*) for the year ended 31 December 2016. At the end of the reporting period the group reported net assets amounting to *EUR3,774,244* (2015 – *EUR2,848,358*).

During the year under review, the holding company did not receive any dividends from its underlying investments in subsidiaries (2015 – Nil). The loss for the year before taxation amounted to *EUR189,682* (2015 – profit of *EUR4,567*).

In 2016, the company increased its authorised and issued share capital by a further *EUR43,000*, which was classified as treasury shares held by the company. This, together with shareholders' funds brought forward from prior year and the profit for the year resulted in shareholders' funds of *EUR472,973* (2015 – *EUR471,985*).

The group measures the achievement of its objectives through the use of the following other key performance indicators:

Financial

The group's current ratio ("current assets divided by current liabilities") has decreased from 97% at the end of 2015 to 91% at the end of 2016.

An emphasis was put on investments made in intangible assets – continuing the EveryMatrix 2 product development plan, which aims to improve the group's offering related to payment processing, casino management and sports betting. Hence, the "Other intangible assets" increased by 80.3% compared to the previous year to *EUR4,003,228* in 2016.

Although the current ratio has decreased, the "current assets" item recorded a positive change in the structure - the "Trade and other receivables" decreased from *EUR7,309,607* in 2015 to *EUR3,448,307* in 2016 while "Cash and cash equivalents" increased from *EUR3,909,302* in 2015 to *EUR5,317,939* in 2016. Therefore, the group improved the cash collecting from debtors, hence increasing immediate liquidity. The group uses this indicator as a measure of liquidity.

The group calculates the level of its free cash flow by reference to the cash generated from continuing operations less capital expenditure, interest and tax. The group's free cash flow at year end amounted to *EUR3,221,414*, representing an increase of 486% over the free cash flow at the end of the preceding year. This indicator measures how well the group turns profit into cash through the management of working capital and a disciplined approach to capital expenditure. The most important achievement during the year was decreasing the debtors balance and scaling cost of sales with the revenues.

The group also measures its performance based on EBITDA. EBITDA is defined as the group's profit before depreciation, amortization, net finance expense and taxation. During the year under review, EBITDA increased by 27% to *EUR1,824,329* from *EUR 1,432,086*. This is due to an increase in Revenues of 10% while at the same time decreasing Administrative and other operative expenses of around 2%.

The group aims to deliver a return on average capital employed above the level of its cost of funding. The return on average capital employed represents the profit on ordinary activities before finance costs, exceptional items and amortization of brands but including share of results of joint ventures, divided by the average of opening and closing tangible net worth. The group ensures that this capital is used as effectively as possible. The return on average capital employed slightly increased from 40% to 40.2% during the year under review.

Principal risks and uncertainties

The successful management of risk is essential to enable the company and the group to achieve its objectives. The ultimate responsibility for risk management rests with the company's directors, who evaluate the company's and the group's risk appetite and formulate policies for identifying and managing such risks. The principal risks and uncertainties facing the group and, consequently, the company are included below:

(a) Market and competition
The group operates in a highly competitive environment and faces competition from various other entities. Technological developments also have the ability to create new forms of quickly evolving competition. An effective, coherent and consistent strategy to respond to competitors and changing markets enables the group to sustain its market share and its profitability. The group continues to focus on service quality and performance in managing this risk. Moreover, the investment in cutting edge technologies for the EveryMatrix products will ensure a commercial advantage for the group. The software's flexibility allows the group to target small start-up operators that want a turnkey solution, and also large operators that already have a full-fledged business and just want one of the EveryMatrix products, even partially delivered.

(b) Legislative risks
The group is subject to numerous laws and regulations covering a wide range of matters. Failure to comply with those could have financial or reputational implications and could materially affect the group's ability to operate. The group has embedded operating policies and procedures to ensure compliance with existing legislation. The compliance department is always in touch with changes in the legislation. Also, mandatory audits by the gambling commissions ensure EveryMatrix is always compliant. The group's software is flexible and changes in the legislation are usually published with sufficient time ahead so that all the modifications are implemented as they become effective.

(d) Economic and market environment
Economic conditions have been challenging in recent years across the markets in which the group operates. A significant economic decline in any of these markets could impact the group's ability to continue to attract and retain customers. Demand for the group's products can be adversely affected by weakness in the wider economy which are beyond the group's control. This risk is evaluated as part of the group's annual strategy process covering the key areas of investment and development and updated regularly throughout the year. The group continues to make significant investment in innovation. The management regularly reviews its pricing structures to ensure that the group's products are appropriately placed within the markets in which it operates. Moreover, EveryMatrix is aiming to maintain a healthy split of revenues across markets in Europe so that it is not overly exposed on a single market.

(f) Technology and business interruption
The group relies on information technology in all aspects of its business. In addition, the services that the group offers to its customers are reliant on complex technical infrastructure. A failure in the operation of the group's key systems or infrastructure could cause a failure of service to its customers, thus negatively impacting its brand, and increased costs.

The group makes significant investment in technology infrastructure to enable it to continue to support the growth of its business and has a robust selection and monitoring process of third-party providers. The group also organizes regular business continuity exercises to ensure ongoing readiness of key systems and sites. Another way of the group to ensure its safety is by performing security audits, penetration and failover tests of the infrastructure and the software.

Financial risk management
Note 28 to the financial statements provides details in connection with the company's and the group's use of financial instruments, its financial risk management objectives and policies and the financial risks to which they are exposed.

Results and dividends
The results for the year ended 31 December 2016 for the group and the company respectively are shown in the statements of profit or loss and other comprehensive income on page 9. The profit for the year after taxation for the group was *EUR926,759* (2015 – *EUR508,030*). The company reported a net loss for the year of *EUR189,682.*

The directors do not recommend the payment of a dividend.

Post-balance sheet events
Subsequent to the end of the reporting period:
- The company has bought back 4,606 of its ordinary shares from one of the shareholders;
- The company has transferred 1,203 of its issued ordinary shares to the employees of the group and others, providing similar services as part of the share-based payment arrangement;
- The company has completed the private investment round and sold 32,363 of its issued ordinary shares to the new shareholders; and
- The group has obtained a Payment Services license which would enable it to provide electronic payment processing solutions;
- The company has incorporated a new subsidiary - EveryMatrix Gibraltar Limited and filed the application for the new Gaming License in Gibraltar.

Likely future business developments
The directors consider that the year-end financial position was satisfactory and that the group and the company are well placed to sustain the present level of activity in the foreseeable future. The continued development of the group's operation is dependent on various countries' legislation relating to online gaming and other types of gaming. Progress in this area has hitherto been disjointed, and the legal and political risks are therefore difficult to evaluate.

EveryMatrix Holding p.l.c.

Directors' report (continued)

Year ended 31 December 2016

Directors

The directors of the company who served during the period until the date of authorisation of these financial statements were:

Ebbe Groes	(Chief Executive Officer)
Stian Hornsletten	
Norbert Teufelberger	(Chairman, appointed 1 March 2017)
Jan Gottlander	(appointed 1 March 2017)
Jorn Marius Therkelsen	(appointed 1 March 2017)

In accordance with the company's articles of association all the directors are to remain in office.

Research and development

The company invested heavily in research and development in 2016 and will continue to invest 2017, albeit less. The main products where the investments were made were CasinoEngine, OddsMatrix, GamMatrix, MoneyMatrix and PartnerMatrix.

Shares in the company

As described in Note 19, the company increased its authorised and issued ordinary share capital by 4,300,000 ordinary shares. These shares were classified as treasury shares at the year end.

Furthermore, the company and the group has entered into the share-based payment arrangement as discussed in Note 21 to the financial statements.

Auditors

A resolution to reappoint Deloitte Audit Limited as auditor of the company will be proposed at the forthcoming annual general meeting.

Approved by the board of directors and signed on 6 September 2017 by:

Ebbe Groes
Chief Executive Officer

Stian Hornsletten
Chairman

EveryMatrix Holding p.l.c.

Statement of directors' responsibilities

The directors are required by the Companies Act (Cap. 386) to prepare financial statements in accordance with generally accepted accounting principles and practice which give a true and fair view of the state of affairs of the company and its group at the end of each financial year and of its profit or loss of the company and its group for the year then ended.

In preparing the financial statements, the directors should:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the company and the group will continue in business as a going concern.

The directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the company and the group and which enable the directors to ensure that the financial statements comply with the Companies Act (Cap. 386). This responsibility includes designing, implementing and maintaining 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. The directors are also responsible for safeguarding the assets of the company and the group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

EveryMatrix Holding p.l.c.

Statements of profit or loss and other comprehensive income

Year ended 31 December 2016

	Notes	Group 2016 EUR	Group 2015 EUR	Holding company 2016 EUR	Holding company 2015 EUR
Revenue	5	**57,614,603**	52,264,182	-	-
Cost of sales	6	**(51,050,724)**	(46,065,380)	-	-
Gross profit		**6,563,879**	6,198,802	-	-
Other operating income		**136,566**	10,325	-	19,088
Administrative and other operating expenses	6	**(5,607,334)**	(5,645,704)	**(189,512)**	(14,536)
Operating profit/(loss)		**1,093,111**	563,423	**(189,512)**	4,552
Investment income		**13,810**	25,443	-	15
Finance costs	7	**(101,398)**	(99,595)	**(170)**	-
Profit/(loss) before tax	8	**1,005,523**	489,271	**(189,682)**	4,567
Income tax (expense)/credit	11	**(78,764)**	18,759	-	-
Profit/(loss) for the year		**926,759**	508,030	**(189,682)**	4,567
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translating foreign operations		**(191,508)**	87,651	-	-
Total comprehensive Income/(loss) for the year		**735,251**	595,681	**(189,682)**	4,567
Profit attributable to:					
Owners of the company		**926,759**	508,030		
Total comprehensive income attributable to:					
Owners of the company		**735,251**	595,681		

EveryMatrix Holding p.l.c.

Statements of financial position

31 December 2016

	Notes	Group 2016 EUR	Group 2015 EUR	Holding company 2016 EUR	Holding company 2015 EUR
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	12	719,570	948,866	-	-
Goodwill	13	5,626	5,626	-	-
Other intangible assets	13	4,003,228	2,220,529		
Investment in subsidiaries	14	-	-	1,188,827	7,661
Deferred tax assets	15	55,112	49,631	-	-
		4,783,536	3,224,652	1,188,827	7,661
Current assets					
Trade and other receivables	16	3,448,307	7,309,607	380,937	466,513
Cash and cash equivalents	23	5,317,939	3,909,302	2,005	1,056
		8,766,246	11,218,909	382,942	467,569
Total assets		13,549,782	14,443,561	1,571,769	475,230
Current liabilities					
Trade and other payables	17	9,371,378	11,411,149	1,098,832	3,245
Bank loans and overdrafts	18	263,778	10,727	-	-
Current tax liabilities		41,653	173,327	-	-
		9,676,809	11,595,203	1,098,832	3,245
Non-current liabilities					
Deferred tax liabilities	15	8,252	-	-	3,245
Bank loans	18	90,477	-	-	-
		98,729	11,595,203	-	3,245
Total liabilities		9,775,538	11,595,203	1,098,832	3,245
Net assets		3,774,244	2,848,358	472,937	471,985
EQUITY					
Share capital	19	4,441	4,441	4,441	4,441
Share premium		462,977	462,977	462,977	462,977
Other equity	20	931,505	931,505	-	-
Equity-settled employee benefits reserve	21	190,635	-	190,635	-
Retained earnings/ (accumulated losses)		2,288,543	1,361,784	(185,115)	4,567
Foreign currency translation reserve		(103,857)	87,651	-	-
Total equity		3,774,244	2,848,358	472,937	471,985

These financial statements were approved by the board of directors, authorised for issue on 6 September 2017 and signed by:

Ebbe Groes
Chief Executive Officer

Stian Hornsletten
Chairman

EveryMatrix Holding p.l.c.

Statement of changes in equity - Group

Year ended 31 December 2016

	Share capital EUR	Share premium EUR	Other equity EUR	Equity-settled employee benefits reserve EUR	Foreign currency translation reserve EUR	Retained earnings EUR	Total EUR
Balance at 1 January 2015	4,431	637,874	931,505	-	-	853,754	2,427,564
Profit for the year	-	-	-	-	-	508,030	508,030
Other comprehensive income for the year	-	-	-	-	87,651	-	87,651
Total comprehensive income/(loss) for the year	-	-	-	-	87,561	508,030	595,681
Issue of new ordinary share capital	10	-	-	-	-	-	10
Purchase of own shares at a premium	-	(174,897)	-	-	-	-	(174,897)
Balance at 31 December 2015	4,441	462,977	931,505	-	87,651	1,361,784	2,848,358
Profit for the year	-	-	-	-	-	926,759	926,759
Other comprehensive loss for the year	-	-	-	-	(191,508)	-	(191,508)
Total comprehensive income/(loss) for the year	-	-	-	-	(191,509)	926,759	735,251
Issue of new ordinary share capital	43,000	-	-	-	-	-	43,000
Recognition of treasury shares	(43,000)	-	-	-	-	-	(43,000)
Recognitions of share-based payments (note 21)	-	-	-	190,635	-	-	190,635
Balance at 31 December 2016	**4,441**	**462,977**	**931,505**	**190,635**	**(103,857)**	**2,288,543**	**3,774,244**

EveryMatrix Holding p.l.c.

Statement of changes in equity – Holding company

Year ended 31 December 2016

	Share capital EUR	Share premium EUR	Equity settled employee benefit reserve EUR	Accumulated losses/ retained earnings EUR	Total EUR
Balance at 1 January 2015	4,431	637,874	-	-	642,305
Profit/total comprehensive income for the year	-	-	-	4,567	4,567
Issue of new ordinary share capital	10	-	-	-	10
Purchase of own shares at a premium	-	(174,897)	-	-	(174,897)
Balance at 31 December 2015	4,441	462,977	-	4,567	471,985
Loss/total comprehensive loss for the year	-	-	-	(189,682)	(189,682)
Issue of new ordinary share capital	43,000	-	-	-	43,000
Recognition of treasury Shares	(43,000)	-	-	-	(43,000)
Recognition of share-based payments (note 21)	-	-	190,635	-	190,635
Balance at 31 December 2016	**4,441**	**462,976**	**190,635**	**(185,115)**	**472,938**

EveryMatrix Holding p.l.c.

Statements of cash flows

Year ended 31 December 2016

	Group		Holding company	
	2016	2015	**2016**	2015
	EUR	EUR	**EUR**	EUR
Cash flows from operating activities				
Profit before tax	**1,005,523**	489,271	**(189,682)**	4,567
Adjustments for:				
Depreciation of property, plant and equipment	**474,132**	377,402	**-**	-
Increase in the provision for doubtful debts	**122,417**	-	**-**	-
Balances written-off	**799,509**	905,933	**-**	-
Loss on disposal of property, plant and equipment	**4,084**	2,748	**-**	-
Amortisation of intangible assets	**409,803**	108,268	**-**	-
Finance costs	**18,452**	16,723	**170**	-
Expense in respect of share-based payment arrangements	**190,635**	-	**68,269**	-
Net exchange losses	**243,276**	-	**-**	-
Investment income	**-**	(25,443)	**-**	(15)
Operating profit before working capital movements	**3,267,831**	1,874,902	**(121,243)**	4,552
Movement in trade and other receivables	**2,834,288**	(5,678,223)	**85,576**	1,315,730
Movement in trade and other payables	**(2,032,348)**	5,115,621	**36,787**	(1,144,417)
Cash flows from operations	**4,069,771**	1,312,300	**1,120**	175,865
Investment income	**-**	25,443		
Interest paid	**(18,452)**	(16,723)	**(170)**	-
Net income tax paid/refund	**(207,667)**	(84,699)	**-**	-
Net cash flows from operating activities	**3,843,652**	1,236,321	**950**	175,865
Cash flows from investing activities				
Purchase of property, plant and equipment	**(266,846)**	(514,228)	**-**	-
Purchase of intangible assets	**(2,195,067)**	(2,135,834)	**-**	-
Net cash flows used in investing activities	**(2,461,913)**	(2,650,062)	**-**	-
Cash flows from financing activities				
Proceeds from bank loans	**354,255**		**-**	
Repurchase of treasury shares	**-**	(174,897)	**-**	(174,897)
Issue of new share capital	**-**	10	**-**	10
Interest received	**-**	-	**-**	15
Net cash flows from/(used in) financing activities	**354,255**	(174,887)	**-**	(174,872)
Net movement in cash and cash equivalents	**1,735,994**	(1,588,628)	**950**	993
Effect of foreign exchange rate changes	**(316,630)**	86,179	**-**	-
Cash and cash equivalents at the beginning of the year	**3,898,575**	5,401,024	**1,056**	63
Cash and cash equivalents at the end of the year (Note 23)	**5,317,939**	3,898,575	**2,006**	1,056

1. Basis of preparation

The financial statements have been prepared on the historical cost basis in accordance with International Financial Reporting Standards as adopted by the EU. The significant accounting policies adopted these financial statements are set out below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the company and the group determine when transfers are deemed to have occurred between Levels in the hierarchy at the end of each reporting period.

2. Significant accounting policies

Basis of consolidation

The consolidated financial statements of EveryMatrix Holding p.l.c. incorporate the financial statements of the holding company and entities controlled by the holding company (its subsidiaries) referred to in these financial statements as the "Group".

Control is achieved where the company has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

2. Significant accounting policies (continued)

Basis of consolidation (continued)

When the company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The company considers all relevant facts and circumstances in assessing whether or not the holding company's voting rights in an investee are sufficient to give it power, including:

- the size of the company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The results of investee are included in the consolidated financial statements from the date that control commences until the date that control ceases. Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Profit or loss and each component of other comprehensive income are attributed to the owners of the company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the group are eliminated in full on consolidation.

Changes in the group's ownership interests in subsidiaries that do not result in the group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the company.

2. Significant accounting policies (continued)

Basis of consolidation (continued)

When the group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Investments in subsidiaries in the holding company's separate financial statements are accounted for on the basis of the direct equity interest and are stated at cost less any accumulated impairment losses. Dividends from the investments are recognised in profit or loss.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the group, liabilities incurred by the group to the former owners of the acquiree and the equity interests issued by the group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

2. Significant accounting policies (continued)

Business combinations (continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

Property, plant and equipment

The group's property, plant and equipment are classified into the following classes – freehold buildings, improvements to leasehold premises, office equipment, and furniture, fixtures and fittings.

Property, plant and equipment are initially measured at cost. Subsequent costs are included in the asset's carrying amount when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. Expenditure on repairs and maintenance of property, plant and equipment is recognised as an expense when incurred.

2. Significant accounting policies (continued)

Property, plant and equipment (continued)

Land and buildings are held for use in the production or supply of goods or services or for administrative purposes. Subsequent to initial recognition, land and buildings are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount, and are included in profit or loss in the period of derecognition.

Depreciation

Depreciation commences when the depreciable assets are available for use and is charged to profit or loss so as to write off the cost, less any estimated residual value, over their estimated useful lives, using the straight-line method, on the following bases:

Freehold buildings	-	2% per annum
Improvements to leasehold premises	-	the lower of 6.67% per annum or the remaining lease term
Computer equipment	-	25% - 33.3% per annum
Furniture, fixtures and fittings	-	16.6% - 33.3% per annum

The depreciation method applied, the residual value and the useful life are reviewed, and adjusted if appropriate, at the end of each reporting period.

Intangible assets

An intangible asset is recognised if it is probable that the expected future economic benefits that are attributable to the asset will flow to the company and the cost of the asset can be measured reliably.

Intangible assets are initially measured at cost. Expenditure on an intangible asset is recognised as an expense in the period when it is incurred unless it forms part of the cost of the asset that meets the recognition criteria or the item is acquired in a business combination and cannot be recognised as an intangible asset, in which case it forms part of goodwill at the acquisition date.

2. Significant accounting policies (continued)

Intangible assets (continued)

The useful life of intangible assets is assessed to determine whether it is finite or indefinite. Intangible assets with a finite useful life are amortised. Amortisation is charged to profit or loss so as to write off the cost of intangible assets less any estimated residual value, over their estimated useful lives. The amortisation method applied, the residual value and the useful life are reviewed, and adjusted if appropriate, at the end of each reporting period.

Intangible assets are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount, and are included in profit or loss in the period of derecognition.

(i) Research and software development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the company's development of affiliates system is recognised only if all of the following can be demonstrated by the company:

- the technical feasibility, the availability of resources and the intention and ability of completing the asset so that it will be available for use or sale,
- how the asset will generate probable future economic benefits, and
- the ability to measure reliably the expenditure attributable to the asset during its development.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred. After initial recognition, internally-generated intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Internally-generated intangible assets are amortised on a straight-line basis over their estimated useful lives from the date when they become available for use, which is generally assumed to be five years.

2. Significant accounting policies (continued)

Intangible assets (continued)

(ii) Computer software

In determining the classification of an asset that incorporates both intangible and tangible elements, judgement is used in assessing which element is more significant. Computer software which is an integral part of the related hardware is classified as property, plant and equipment and accounted for in accordance with the company's accounting policy on property, plant and equipment. Where the software is not an integral part of the related hardware, this is classified as an intangible asset and carried at cost less any accumulated amortisation and any accumulated impairment losses. Computer software classified as an intangible asset is amortised on a straight-line basis over three years.

(iii) Trademarks

Trademarks are classified as intangible assets with indefinite useful lives. After initial recognition, trademarks are carried at cost less any accumulated impairment losses.

Other financial instruments

Financial assets and financial liabilities are recognised when the group becomes party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially recognised at their fair value plus directly attributable transaction costs for all financial assets or financial liabilities not classified at fair value through profit or loss.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the group has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or when the group transfers the financial asset and the transfer qualifies for derecognition.

Financial liabilities are derecognised when they are extinguished. This occurs when the obligation specified in the contract is discharged, cancelled or expires.

An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

2. Significant accounting policies (continued)

Other financial instruments(continued)

The terms of financial instruments that are issued, the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument are evaluated to determine whether the financial instruments are financial liabilities, financial assets or equity instruments or whether they contain separate components, in which case such components are classified separately as financial liabilities, financial assets and equity instruments.

Financial instruments issued by the group, or any component thereof, are classified with equity instruments if both the following conditions are met:

(a) The financial instruments include no contractual obligation:

- to deliver cash or another financial asset to another entity; or
- to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the holding company.

(b) If the financial instruments will or may be settled in the group's own equity instruments, they are:

- non-derivatives that include no contractual obligation for the group to deliver a variable number of its own equity instruments; or
- derivatives that will be settled only by the issuer exchanging a fixed amount of cash or another financial asset for a fixed number of its own equity instruments (excluding instruments that have certain stipulated features or instruments that are contracts for the future receipt or delivery of the holding company's own equity instruments).

Where any of these conditions is not satisfied, financial instruments issued by the group, or any component thereof, are classified with financial liabilities, except for those that have certain stipulated features, which are classified as equity instruments as an exception.

(i) Trade receivables

Trade receivables are classified with current assets and are stated at their nominal value. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

2. Significant accounting policies (continued)

Other financial instruments (continued)

(ii) Bank borrowings

Subsequent to initial recognition, interest-bearing bank loans are measured at amortised cost using the effective interest method. Bank loans are carried at face value due to their market rate of interest.

Subsequent to initial recognition, interest-bearing bank overdrafts are carried at face value in view of their short-term maturities.

(iv) Other borrowings

Subsequent to initial recognition, other borrowings are measured at amortised cost using the effective interest method unless the effect of discounting is immaterial.

(iv) Trade payables

Trade payables are classified with current liabilities and are stated at their nominal.

(v) Shares issued by the holding company

Ordinary shares issued by the holding company are classified as equity instruments.

Redemptions or refinancings of equity instruments are recognised as changes in equity.

Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the present obligation at the end of the reporting period. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Provisions are not recognised for future operating losses.

2. Significant accounting policies (continued)

Impairment

All assets are tested for impairment except for deferred tax assets.

At the end of each reporting period, the carrying amount of assets, including cash-generating units are reviewed to determine whether there is any indication or objective evidence of impairment, as appropriate, and if any such indication or objective evidence exists, the recoverable amount of the asset is estimated.

An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

The impairment loss on investments in equity instruments that do not have a quoted price in an active market for an identical instrument (ie a Level 1 input) and whose fair value cannot be reliably measured is measured as the difference between the carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

In the case of other assets tested for impairment, the recoverable amount is the higher of fair value (which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date) less costs of disposal and value in use (which is the present value of the future cash flows expected to be derived, discounted using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset). Where the recoverable amount is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount, as calculated.

Where it is not possible to estimate the recoverable amount of an individual asset, then the recoverable amount of the cash-generating unit to which the asset belongs is determined. For cash-generating units, where the recoverable amount is less than the carrying amount, the carrying amount of the assets of the unit is reduced first to reduce the carrying amount of any goodwill allocated, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

Impairment losses are recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which case, the impairment loss is recognised directly against the asset's revaluation surplus to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that asset.

In the case of other assets, an impairment loss recognised in a prior year is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

2. Significant accounting policies (continued)

Impairment (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Impairment reversals are recognised immediately in profit or loss.

For a cash-generating unit, the carrying amount is not increased above the lower of its recoverable amount (if determinable) and the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit, except for goodwill.

The impairment loss on investments in equity instruments that do not have a quoted price in an active market for an identical instrument (ie a Level 1 input) and whose fair value cannot be reliably measured is not reversed in a subsequent period.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods sold and services provided in the normal course of business, net of value-added tax and discounts, where applicable. Revenue is recognised to the extent that it is probable that future economic benefits will flow to the company or the group and these can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised:

(i) Affiliate software fixed and variable service fees

The affiliate software integration and ongoing services fees includes revenue derived from the provision of certain services and affiliate gaming management technology for which charges are based on a fixed-fee and varies according to the usage of the service / technology in each accounting period. Revenue is recognised in the period in which the services are rendered.

2. Significant accounting policies (continued)

Revenue recognition (continued)

(ii) Net gaming revenue from online gaming

Revenue from online gaming resulting from casinos and other games is recognised as soon as the underlying games have taken place or the service is provided. Revenues from online gaming transactions that are deemed to be financial instruments, where the company takes open positions against players, are recognised as a net fair value gain or loss after the deduction of players' winnings. Open bets are fair valued in accordance with the accounting policy.

Gaming revenues are recognised net after the deduction of players' winnings, customer incentives and promotional bonuses which are accounted for in accordance with IFRIC 13 'Loyalty Programmes'.

Revenue in respect of network service arrangements where the third party owns the relationship with the customer is recognised as the net commission invoiced.

(iii) Software integration and set-up fees

Integration and set-up fees are recognised as revenue by reference to the stage of completion of the installation, unless they are incidental to the provision of the service in which case they are recognised when the service is rendered.

(iv) Subscription fees

Revenue recognition depends on the nature of the services provided. If the fee permits only subscription to betting tips and statistics, and all other services or products are paid for separately, or if there is a separate annual subscription, the fee is recognised as revenue when no significant uncertainty as to its collectability exists. If the fee entitles the member to services or publications to be provided during the membership period, or to purchase goods or services at prices lower than those charged to non-members, it is recognised on a basis that reflects the timing, nature and value of the benefits provided.

(v) Commissions on advertising banners and clicks

These commissions are recognised on a straight-line basis over the specified period unless there is evidence that some other method better represents the stage of completion.

2. Significant accounting policies (continued)

Revenue recognition (continued)

(vi) Provision of services

Revenue from the provision of services is recognised in the period in which the services are rendered.

(vii) Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount.

(viii) Dividend income

Dividend income is recognised when the shareholder's right to receive payment is established.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership to the lessee. All other leases are classified as operating leases. Lease classification is made at the inception of the lease, which is the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease.

Rentals payable under operating leases, less the aggregate benefit of incentives received from the lessor, are recognised as an expense in profit or loss on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

Taxation

Current and deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is also dealt with in other comprehensive income or in equity, as appropriate.

Current tax is based on the taxable result for the period. The taxable result for the period differs from the result as reported in profit or loss because it excludes items which are non-assessable or disallowed and it further excludes items that are taxable or deductible in other periods. It is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

2. Significant accounting policies (continued)

Taxation (continued)

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets, including deferred tax assets for the carry forward of unused tax losses and unused tax credits, are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences (or the unused tax losses and unused tax credits) can be utilised.

Deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill. Deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither accounting profit nor taxable profit.

Deferred tax liabilities are not recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures where the company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets are recognised for deductible temporary differences arising on investments in subsidiaries and interests in joint ventures where it is probable that taxable profit will be available against which the temporary difference can be utilised and it is probable that the temporary difference will reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be utilised.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Current tax assets and liabilities are offset when the company has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2. Significant accounting policies (continued)

Taxation (continued)

Deferred tax assets and liabilities are offset when the company has a legally enforceable right to set off its current tax assets and liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Dividends

Dividends to holders of equity instruments are recognised as liabilities in the period in which they are declared. Dividends to holders of equity instruments are recognised directly in equity.

Employee benefits

Contributions towards the state pension are made in accordance with local legislation. The only obligation is to make the required contributions. Costs are expensed in the period in which they are incurred.

Share-based payment arrangements

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity.

Currency translation

The financial statements of the group and of the holding company are presented in Euro, being the functional currency of the holding company or the currency of the primary economic environment in which it operates. Transactions denominated in currencies other than the functional currency are translated at the exchange rates ruling on the date of transaction. Monetary assets and liabilities denominated in currencies other than the functional currency are re-translated to the functional currency at the exchange rate ruling at year-end. Exchange differences arising on the settlement and on the re-translation of monetary items are dealt with in profit or loss.

2. Significant accounting policies (continued)

Currency translation (continued)

Foreign exchange gains and losses are included within operating profit/(loss) except in the case of significant exchange differences arising on investing or financing activities, which are classified within investment income, investment losses or finance costs as appropriate.

For the purpose of presenting these consolidated financial statements, income and expenses of the group's foreign operations are translated to Euro at the exchange rates ruling on the date of transaction. Assets and liabilities of the group's foreign operations are translated to Euro at the exchange rate ruling at the date of the statement of financial position. Exchange differences are recognised in the other comprehensive income/expense and accumulated in a separate component of equity. Such differences are reclassified from equity to profit or loss in the period in which the foreign operation is disposed of.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits. Bank overdrafts that are repayable on demand and form an integral part of the group's or the company's cash management are included as a component of cash and cash equivalents for the purpose of the statements of cash flows and are presented in current liabilities on the statements of financial position.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

Judgements in applying accounting policies

In the process of applying the group's accounting policies, management has made no judgements which can significantly affect the amounts recognised in the consolidated financial statements.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty, at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

3. Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty (continued)

(i) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of recognised tax losses at the end of the reporting period was *EUR55,112 (2015:EUR49,631)* and the unrecognised tax losses and deductible temporary differences at the end of the reporting period was *EUR149,504 (2015:EUR317,560)*.

(ii) Recoverability of internally-generated intangible asset

The carrying amount of the intangible asset of *Eur860,000* represents development cost for a payment solutions software. An impairment test was triggered in the year because the operating license that was required to implement the solutions was delayed and thus the benefit of the new software would not be realized as soon as had been expected.

The assessment for impairment involves comparing the carrying value of the asset with its recoverable amount, that is, the higher of fair value less costs to sell and value in use. Value in use is determined on the basis of the discounted estimated future net cash flows. As a result of the impairment test carried out it was concluded that no impairment was required.

The forecasts applied by the company for the testing of the impairment covered a period of the first 3 years of operation and are based on the expected performance which the directors consider to be reasonable in the circumstances. The projected results up to the third year are based on the average EBIT margin of 40%.

The discount rate applied for the purpose of calculations was estimated at 20.1%. The directors believe that this discount rate is appropriate to reflect the cost of capital of the company as at 31 December 2016.

3. Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty (continued)

(iii) Software development costs

Determining the amounts of development costs to be capitalised requires management to make assumptions regarding the rate of capitalisation to be applied to the total amounts expensed on the payroll of the related employees. The capitalisation rates applied during the reporting period were in the range of 50% to 66%, depending on the type of software product being developed.

(iv) Amortisation of software development costs

Software development costs are amortised over their useful lives. Useful lives are based on management's best estimates of the period that the assets will generate revenue to the group, which are periodically reviewed for continued appropriateness. Changes to estimates can result in significant variations in the amounts charged to the consolidated financial statements in specific periods.

(v) Presentation: gross versus net

When deciding the most appropriate basis for presenting revenue or costs of revenue, both the legal form and substance of the arrangement between the group and its business partners are reviewed to determine each party's respective role in the transaction.

Where the group's role in a transaction is that of principal (that is, when the customer opts to use the group's online gaming license to provide gaming services), revenue is recognised on a gross basis. This requires revenue to comprise the gross value of the transaction billed to the customer, after trade discounts, with any related expenditure charged as an operating cost.

Where the group's role in a transaction is that of an agent (that is, when the customers use their own online gaming license to provide geming services), revenue is recognised on a net basis with revenue representing the margin earned.

3. Judgements in applying accounting policies and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty (continued)

(vi) Legal proceedings and contingent liabilities

Management regularly monitors the key risks affecting the group, including the regulatory environment in which the group operates. A provision will be made where there is a present obligation from a past event, a transfer of economic benefits is probable and the amount of costs of the transfer can be estimated reliably. In instances where the criteria are not met, a contingent liability may be disclosed in the notes to the financial information.

(vii) Deferred tax liabilities

The group holds investments in subsidiaries incorporated in foreign jurisdictions. The profits of these foreign entities are taxed once they are remitted to the holding company. Where the group has the ability to control the underlying investee's dividend distribution policy, management has used its judgement for the estimation of the probability of the future dividend distribution levels expected to flow to the group in the foreseeable future. The criteria used by management are based on the past pattern of dividend payments and the group's plan for reinvestment.

Where the group does not have control over the entities dividend distribution policy, the group recognises a deferred tax liability arising in relation to all the undistributed profits of that investee.

A change in the assumptions used or in the estimate as to the probability that past undistributed earnings levels will be remitted would have an impact on the income tax charge/credit and on the deferred tax liabilities recognised in the statement of financial position as disclosed in note 15.

4. International Financial Reporting Standards in issue but not yet effective

The company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 15 – Revenue from Contracts with Customers

The standard is the result of a convergence project between the IASB and the FASB. IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18 *Revenue*, IAS 11 *Construction Contracts* and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions being leases, financial instruments and insurance contracts.

By virtue of an amendment issued on 11 September 2015, the effective date of the Standard was deferred by one year to annual periods beginning on or after 1 January 2018, with earlier application being permitted.

The directors of the company anticipate that the application of IFRS 15 in the future may not have a material impact on the amounts reported and disclosures made in the company's financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the company performs a detailed review.

IFRS 15 Clarifications – Revenue from Contracts with Customers

These Amendments to the Revenue Standard, IFRS 15 Revenue from Contracts with Customers, clarify some requirements and provide additional transitional relief for companies that are implementing the new Standard. The clarifications have not yet been endorsed by the EU at the date of authorisation of these financial statements.

IFRS 9 – Financial instruments

The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace *IAS 39 Financial Instruments: Recognition and Measurement.*

IFRS 9 introduces a logical approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single, forward-looking 'expected loss' impairment model that will require more timely recognition of expected credit losses.

4. International Financial Reporting Standards in issue but not yet effective (continued)

The standard is effective for annual periods beginning on or after 1 January 2018, with earlier application being permitted.

The directors of the company anticipate that the application of IFRS 9 in the future will not have any significant impact on the amounts reported in respect of the company's financial assets and financial liabilities.

IAS 12 Amendment - Recognition of Deferred Tax Assets for Unrealised Losses

The Amendments to IAS 12 clarify how to account for deferred tax assets related to debt instruments measured at fair value to address diversity in practice. These Amendments have not as yet been endorsed by the EU at the date of authorisation of these financial statements.

IFRS 2 Amendment - Classification and Measurement of Share-based Payment Transactions

These Amendments to IFRS 2 Share-based Payment, clarify how to account for certain types of share-based payment transactions. The Amendments have not as yet been endorsed by the EU at the date of authorisation of these financial statements.

IFRS 16 – Leases

The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. IFRS 16 supersedes IAS 17 *Leases* and related interpretations. IFRS 16 is effective for periods beginning on or after 1 January 2019. Early application is permitted for companies that also apply IFRS 15 *Revenue from Contracts with Customers*.

The standard has not been endorsed by the EU at the date of authorisation of these financial statements.

It is not practicable to provide a reasonable estimate of the effect of IFRS 16 until the company performs a detailed review.

5. Revenue

Revenue represents the amount receivable for services rendered during the year, net of any indirect taxes, as follows:

	Group		Holding company	
	2016	2015	**2016**	2015
	EUR	EUR	**EUR**	EUR
By activity:				
Net gaming revenue	**53,651,863**	49,268,993	-	-
Affiliate software fixed and variable fees	**257,523**	303,151	-	-
Software integration and set-up fees	**1,449,483**	1,260,319	-	-
Subscription fees	**81,000**	683,761	-	-
Commission and advertising income from affiliate services	-	507,509	-	-
Other ancillary gaming revenue	**2,174,734**	240,449	-	-
	57,614,603	52,264,182	-	-

6. Expenses by nature

	Group		Holding company	
	2016	2015	**2016**	2015
	EUR	EUR	**EUR**	EUR
Operator's share of the gross gaming revenue	**34,846,791**	32,995,511	-	-
Wages and salaries	**9,492,011**	8,108,172	**68,269**	-
Gaming tax and duty	**507,402**	1,083,071	-	-
Hosting costs	**37,860**	41,423	-	-
IT software support costs	**4,948,776**	2,643,118	-	-
Bonuses	**44,920**	28,086	-	-
Sundry operating expenses	**10,831**	-	-	-
Staff welfare and training	**372,314**	574,782	-	-
Licenses and fees	**544,597**	384,228	-	-
Affiliate referral fees, advertising and marketing costs	**245,222**	206,989	-	-
Audit fees	**134,462**	28,085	**41,586**	2,950
Amortisation of intangible assets	**409,803**	108,268	-	-
Cleaning expenses	**13,804**	10,787	-	-
Conferences, exhibitions and trade fairs	**305,508**	506,208	-	-

6. Expenses by nature(continued)

	Group		Holding company	
	2016	2015	**2016**	2015
	EUR	EUR	**EUR**	EUR
Consultancy fees	**204,952**	215,040	-	-
General expenses	**227,121**	164,992	**5,147**	93
Depreciation	**474,132**	377,402	-	-
Insurance	**37,217**	33,461	**2,662**	2,890
IT general expenses	-	-	-	4,359
Legal and professional fees	**741,084**	871,588	**45,225**	4,244
Loss on disposal of property, plant and equipment	-	2,748	-	-
Net foreign exchange differences	**243,276**	548,690	**34**	-
Allowance for doubtful debts	**122,417**	-	-	-
Bad debts	**799,509**	905,933		
Registration fees	**3,488**	19,779	-	-
Rent	**838,609**	791,206	**24,855**	-
Repairs and maintenance	**167,144**	149,025	-	-
Staff meals and canteen costs	**9,296**	8,883	-	-
Stationery, printing and postages	**46,938**	84,238	-	-
Travelling and accommodation costs	**641,006**	620,565	-	-
Telecommunication costs	**111,801**	143,131	-	-
Water and electricity	**75,767**	55,675	**1,734**	-
	56,658,058	51,711,084	**189,512**	14,536

During the year, a reversal of an accrual for gaming taxes has been made for the overestimated amounts of *Eur 83,193* (2015 – *nil*). This reversal is included with direct expenses.

7. Finance costs

	Group		Holding company	
	2016	2015	**2016**	2015
	EUR	EUR	**EUR**	EUR
Interest on bank overdraft	**18,452**	16,723	-	-
Bank charges	**82,946**	82,872	-	-
	101,398	99,595	-	-

8. Profit before tax

The analysis of the amounts that are payable to the auditors and that are required to be disclosed are as follows:

	Group	
	2016	2015
	Eur	Eur
Total remuneration payable to the company's auditor for the audit of the company's financial statements	**101,300**	95,000
Total fees payable to the company's auditors for tax advisory services	**75,024**	25,834
Total fees payable to the company's auditors for non-audit services other than other assurance services and tax advisory services	**-**	6,000

9. Key management personnel compensation and other management compensation to the major shareholders

	Group		Holding company	
	2016	2015	**2016**	2015
	EUR	EUR	**EUR**	EUR
Short-term benefits:				
Remuneration to companies having controlling interest and having significant influence	**283,100**	284,879	**-**	-
Other management remuneration	**164,321**	51,965	**-**	-
Share-based payment arrangement	**42,635**	-	**41,580**	-
	490,056	336,844	**41,580**	-

10. Staff costs and employee information

	Group		Holding company	
	2016 EUR	2015 EUR	**2016 EUR**	2015 EUR
Staff costs:				
Wages and salaries	**7,998,842**	5,156,825	-	-
Share-based payment arrangement	**190,635**	-	**68,269**	-
Social security costs and other contributions	**1,232,676**	886,201	-	-
	9,422,153	6,043,026	-	-
Add: recharged by shareholders	-	468,733	-	-
Add: Third party subcontracted labour	**2,169,101**	3,595,872	-	-
Less: Capitalised salaries	**(2,099,243)**	(1,999,459)	-	-
	9,492,011	8,108,172	**68,269**	-

The average number of persons employed by the group during the year, including executive directors was made up as follows:

	2016 Number	2015 Number
Operational(development) and administration	**318**	240

11. Income tax expense/(credit)

	Group		Holding company	
	2016 EUR	2015 EUR	**2016 EUR**	2015 EUR
Current tax expense	**75,993**	30,872	-	-
Deferred tax charge/ (credit) (Note 15)	**2,771**	(49,631)	-	-
	78,764	(18,759)	-	-

11. Income tax expense/(credit) (continued)

Tax applying the statutory domestic income tax rate and the income tax expense for the year are reconciled as follows:

	Group		Holding company	
	2016 EUR	2015 EUR	2016 EUR	2015 EUR
Profit/(loss) before tax	1,005,523	489,271	(189,682)	4,567
Tax at the applicable rate of 35%	351,933	171,245	(66,389)	1,598
Tax effect of:				
Disallowable administrative and finance costs	110,434	11,511	66,389	4,420
Amortisation of intangible assets	-	18,348	-	-
Deduction under article 14(1)(m)	-	(145,871)	-	-
Unrealised exchange gains and losses	26,412	(64,004)	-	712
Reversal of provision for doubtful debts	-	(1,050)	-	-
Effect of different tax rates of subsidiaries operating in other jurisdictions	(260,501)	(159,500)	-	-
Trading losses absorbed during the year	-	(11,345)	-	-
Unaccounted for deferred tax	(149,514)	168,637	-	-
Write off of amounts due to trade payables	-	(6,730)	-	(6,730)
Income tax expense/(credit) for the year	78,764	(18,759)	-	-

The tax rate used for the 2016 and 2015 reconciliations above is the corporate tax rate of 35% payable by corporate entities in Malta on taxable profits under tax law in that jurisdiction.

12. Property, plant and equipment

Group

	Freehold buildings EUR	Improvements to leasehold premises EUR	Computer equipment EUR	Furniture, fixtures and fittings EUR	Total EUR
Cost					
At 01.01.2015	77,598	118,130	672,427	122,691	990,846
Additions	-	78,333	433,688	2,207	514,228
Disposals	-		(8,487)	-	(8,487)
Effect of foreign currency exchange differences	621	1,031	9,434	1,974	13,060
At 01.01.2016	78,219	197,494	1,107,062	126,872	1,509,647
Additions	-	-	266,846	-	266,846
Disposal	-	-	(29,275)	(3,299)	(32,574)
Effect of foreign currency exchange differences	(1,662)	(4,402)	(29,427)	(3,176)	(38,667)
At 31.12.2016	**76,557**	**193,092**	**1,315,206**	**120,397**	**1,705,252**
Accumulated depreciation					
At 01.01.2015	1,570	41,601	118,852	15,921	177,944
Provision for the year	1,555	65,578	284,833	25,436	377,402
Eliminated on disposal	-	-	(7,300)	-	(7,300)
Effect of foreign currency exchange differences	48	1,609	9,962	1,116	12,735
At 01.01.2016	3,173	108,788	406,347	42,473	560,781
Provision for the year	1,566	52,730	393,663	26,173	474,132
Eliminated on disposal	-	-	(28,490)	-	(28,490)
Effect of foreign currency exchange differences	(103)	(3,104)	(16,007)	(1,527)	(20,741)
At 31.12.2016	**4,636**	**158,414**	**755,513**	**67,119**	**985,682**
Carrying amount					
At 31.12.2015	75,046	88,706	700,715	84,399	948,866
At 31.12.2016	**71,921**	**34,678**	**559,693**	**53,278**	**719,570**

13. Intangible assets

Group

	Goodwill EUR	Trademark EUR	Computer software licences EUR	Software development costs EUR	Total EUR
Cost					
At 01.01.2015	5,626	257,000	18,377	-	281,003
Additions	-	-	136,375	1,999,459	2,135,834
Disposals	-	-	-	-	-
Effect of foreign currency exchange differences			192		192
At 01.01.2016	5,626	257,000	154,944	1,999,459	2,417,029
Additions	-	-	95,825	2,099,242	2,195,067
Disposal	-	-	-	-	-
Effect of foreign currency exchange differences	-	-	(4,407)	-	(4,407)
At 31.12.2016	**5,626**	**257,000**	**246,362**	**4,098,701**	**4,607,689**
Accumulated amortisation					
At 01.01.2015	-	82,000	-	-	82,000
Provision for the year	-	-	30,966	77,302	108,268
Effect of foreign currency exchange differences	-	-	606	-	606
At 01.01.2016	-	82,000	31,572	77,302	190,874
Provision for the year	-	-	98,396	311,407	409,803
Effect of foreign currency exchange differences	-	-	(1,842)	-	(1,842)
At 31.12.2016	**-**	**82,000**	**128,126**	**388,709**	**598,835**
Carrying amount					
At 31.12.2015	5,626	175,000	123,372	1,922,157	2,226,155
At 31.12.2016	**5,626**	**175,000**	**118,236**	**3,709,992**	**4,008,854**

The amortization expense has been included in the line item 'Administrative and other operating costs' in the statement of profit or loss and other comprehensive income.

Included within software development costs, are costs of *EUR1,336,496* (2015 – *EUR419,469*), which represent assets in the course of construction which have not yet been completed and have therefore not been amortised.

14. Financial assets

Holding company

Investment in subsidiaries

In the separate financial statements, shares in subsidiary undertakings are accounted for at cost less impairment losses.

	Investment in subsidiaries EUR
Cost/Carrying amount	
At 01.01.2015/at 31.12.2015	7,661
Additions	1,181,166
At 31.12.2016	**1,188,827**

During the year under review the company increased its carrying value of investments held in subsidiary undertakings through the allotment of 1,058,800 ordinary shares of Eur 1 each in subsidiary undertaking and the recognition of share-based payment arrangements granted to the employees and others, providing similar services to the company's subsidiaries of *EUR122,366*. The allotment of shares in the subsidiary undertaking was settled through the assignment of intangible asset amounting to *EUR860,000* and a cash consideration of *EUR198,800*, paid on behalf of the company by its subsidiary.

The group financial statements consolidate the results and position of the following subsidiary undertakings which all have co-terminous year-ends with that of the holding company. Unless otherwise stated below, the place of business of subsidiaries is the same as the country where the registered office of the underlying investee is situated:

Subsidiary undertakings:

	Group effective % of equity capital held 2016 %	Group effective % of equity capital held 2015 %
EveryMatrix Limited Suite 1A, Level 5, Portomaso Tower, Vjal Portomaso, St. Julians, Malta.	**100**	100

14. Financial assets (continued)

Subsidiary undertakings (continued):

	Group effective % of equity capital held 2016 %	Group effective % of equity capital held 2015 %
EveryMatrix Development Ltd Suite 1A, Level 5, Portomaso Tower, Vjal Portomaso, St. Julians, Malta.	**100**	100
EveryMatrix Software Limited Suite 1A, Level 5, Portomaso Tower, Vjal Portomaso, St. Julians, Malta.	**100**	100
MoneyMatrix Limited Suite 1B, Level 5, Portomaso Tower, Vjal Portomaso, St. Julians, Malta.	**100**	100
EveryMatrix UK Limited 3rd Floor, 70 Clifton Street, London, United Kingdom.	**100**	100
EveryMatrix N.V. E-Commerce Park, Vredenborg, Curacao, Netherlands Antilles.	**100**	100
EveryMatrix Gaming Operations N.V. E-Commerce Park, Vredenborg, Curacao, Netherlands Antilles.	**100**	100
EveryMatrix S.R.L. Bucharesti Sectorul, 3 Lipiscani Street Nr102, Floor 1, 4 SI POD, Bucharest, Romania.	**100**	100
Changsha EveryMatrix Software Co. Ltd Room 42003, Tower A, Zone B, Wanda Square, No. 589 Zhongshan Road, Kaifu Dt, Changsha City, China.	**100**	100

At the end of the reporting period the carrying amount of an investment in a subsidiary undertaking amounting to *EUR1,059,999* exceeded the amount of the individual net assets of the subsidiary of *EUR914,651*. The directors of the company believe that the book value will be recovered when the operating license that is required to undertake the operational activity will be obtained. The benefits of the new software platform were not realized as soon as had been expected as disclosed in note 3.

14. Financial assets (continued)

Subsidiary undertakings (continued):

	Capital and reserves	
	2016 EUR	2015 EUR
EveryMatrix Limited	616,653	261,777
EveryMatrix Development Ltd	207,858	56,167
EveryMatrix Software Limited	151,967	108,021
MoneyMatrix Limited	914,651	(29,428)
EveryMatrix UK Limited	1,678,798	1,713,546
EveryMatrix N.V.	1,034,848	498,071
EveryMatrix Gaming Operations N.V.	(426,578)	(419,742)
EveryMatrix S.R.L.	376,679	247,051
Changsha EveryMatrix Software Co. Ltd	175,677	160,859

	Profit / (loss)	
	2016 EUR	2015 EUR
EveryMatrix Limited	353,821	(45,214)
EveryMatrix Development Ltd	150,432	54,967
EveryMatrix Software Limited	(71,950)	(92,171)
MoneyMatrix Limited	(118,877)	(14,326)
EveryMatrix UK Limited	155,772	135,948
EveryMatrix N.V.	536,783	119,626
EveryMatrix Gaming Operations N.V.	(6,836)	74,107
EveryMatrix S.R.L.	144,068	123,879
Changsha EveryMatrix Software Co. Ltd	14,145	25,972

15. Deferred tax assets and liabilities

	Opening balance EUR	Recognised in profit or loss EUR	Closing balance EUR
2016			
Arising on:			
Temporary differences			
Accelerated tax depreciation and unutilised tax losses	**40,057**	**5,481**	**45,538**
Provisions	**9,574**	**-**	**9,574**
Deferred tax assets	**49,631**	**5,481**	**55,112**
Arising on:			
Temporary differences			
Property,plant and equipment	**-**	**(15,641)**	**(15,641)**
Provisions	**-**	**7,389**	**7,389**
Deferred tax liabilities	**-**	**(8,252)**	**(8,252)**
2015			
Arising on:			
Temporary differences			
Intangible assets	-	(118,690)	(118,690)
Provisions	-	9,574	9,574
	-	(109,116)	(109,116)
Arising on:			
Unused tax losses	-	158,747	158,747
	-	49,631	49,631

At 31 December 2016, the group had deductible temporary differences of *EUR61,349 (2015: EUR93,028)*, unused capital allowances and unused tax losses of *EUR210,853 (2015: EUR224,532)* for which no deferred tax asset is recognised in the statement of financial position. The crystallization of this asset remains doubtful given the expected pattern of income in the future years and has therefore not been recognised.

The aggregate deferred tax liabilities on temporary differences associated with investments in foreign subsidiaries for which no deferred tax liability has been recognised amounts to *EUR194,034 (2015 – EUR93,388)*.

16. Trade and other receivables

	Group		Holding company	
	2016 EUR	2015 EUR	**2016 EUR**	2015 EUR
Trade receivables	**1,382,997**	2,125,892	**-**	-
Allowance for doubtful debts	**(122,417)**	-	**-**	-
Amounts owed by shareholders	**113,857**	106,849	**106,849**	106,849
Amounts owed by related parties	**-**	-	**-**	169,230
Amounts owed by directors	**23,730**	14,099		
Other receivables	**896,372**	702,800	**232,433**	190,434
Prepayments and accrued income	**1,153,768**	4,359,967	**41,655**	-
	3,448,307	7,309,607	**380,937**	466,513

No interest is charged on trade and other receivables.

Amounts due from shareholders, related parties and directors are unsecured, interest-free and although they have no fixed date for repayment, they are expected to be realised within twelve months after the reporting period.

During the year, the irrecoverable amounts from the provision of gaming software arrangements with third parties of *EUR799,509* (2015: *EUR905,933*) were written-off. This is included with administrative and other operating costs.

Included in other receivables is the security cash collateral deposit placed to secure the bank loans as disclosed in note 18.

17. Trade and other payables

	Group		Holding company	
	2016 EUR	2015 EUR	**2016 EUR**	2015 EUR
Trade payables	**2,227,324**	1,954,692	**6,178**	295
Amounts owed to subsidiaries	**-**	-	**1,050,936**	-
Other payables	**1,050,027**	803,250	**(8)**	-
Players' and jackpot liabilities	**4,235,868**	3,385,486	**-**	-
Accruals and deferred income	**1,858,159**	5,267,721	**41,726**	2,950
	9,371,378	11,411,149	**1,098,832**	3,245

17. Trade and other payables(continued)

No interest is charged on trade and other payables.

The amounts owed to shareholders are unsecured, interest-free and although these amounts have no fixed date for repayment, the company has no unconditional right to defer settlement of these amounts for at least twelve months after the reporting period.

Included in other payables are security collateral deposits obtained from gaming operators in order for the company to hedge against the credit and market risk associated with the gaming operations carried out by such operators.

18. Bank loans and overdrafts

Group

	2016 Eur	2015 Eur
Bank overdraft	-	10,727
Bank loans	**354,255**	-
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(263,778)**	(10,727)
Amount due for settlement after 12 months	**90,477**	-

Bank overdrafts and loans are repayable as follows:

	2016 EUR	2015 EUR
On demand or within one year	263,778	
In the second year	-	-
In the third year	90,477	-
	354,255	-

The carrying amounts of the company's borrowings are denominated in RON.

The bank loans bear interest at the rates of 3.5% and 4.25% above the 1M ROBOR per annum (2015 - nil) and are secured with the cash collateral deposit in amount of *EUR297,504*. The interest rates at 31 December 2016 were 3.5% and 4.25% respectively.

At the end of the reporting period the group had an unused investment loan facility in amount of approximately *EUR195,000* and unused credit facility of *EUR33,600*.

19. Share capital

	2016 Authorised, issued and called up EUR	Authorised EUR	2015 Authorised, issued and called up EUR
Equity shares:			
4,744,055 (2015 - 444,055) ordinary shares of EUR0.01 each, all of which have been issued and called up	**47,441**	**47,471**	4,441
Classified with treasury shares			
4,300,000 (2015 - nil) ordinary shares of EUR0.01 each, all of which have been issued and called up	**(43,000)**		-
	4,441	**4,441**	4,441

With effect from 29 January 2016, the shareholders of the company resolved to change the status of the company from a private limited liability company to a public limited liability company, as a result of such change in status, the name of the company changed from EveryMatrix Holding Limited to EveryMatrix Holding p.l.c.

During the financial year under review, the company issued 4,300,00 ordinary shares of Eur0.01 each to its current shareholders. This transaction was part of a share based payment arrangement, which was financed by a subsidiary company at the date of issuance of the shares. During the year, the company repaid the advance from the subsidiary and, subsequent to the balance sheet date, commenced the process to transfer the shares to the entitled employees and service providers. This transaction did not involve the movement of cash and cash equivalents and in substance represented the acquisition of treasury shares by the company. Accordingly, the directors have accounted for this transaction as treasury shares in these financial statements.

20. Other equity

During financial year ending 31 December 2014, the group embarked into a re-organisation program, whereby EveryMatrix Holding p.l.c (formerly EveryMatrix Holding Limited) acquired the shares in its previous parent, EveryMatrix UK Limited, which in turn owed EveryMatrix S.R.L. and Changsha EveryMatrix Software Co. Ltd. Through this process, EveryMatrix Holding p.l.c. effectively became the new parent company of the group. The companies which formed part of the group re-organisation were all under common control and therefore the directors of the new parent, did not account for such transaction under IFRS 3 'Business Combinations' but accounted for using merger accounting due to the limited guidance under IFRS 3.

20. Other equity (continued)

As a result of this transaction, all pre-acquisition reserves (representing the difference between the consideration paid or exchanged for such shares and the net assets/liabilities) of the newly acquired companies amounting to EUR931,505 were included under 'Other equity'.

21. Equity-settled employee benefits reserve

Equity-settled employee benefits reserve relates to shares granted to certain employees and others, providing similar services to the company and the group during the period under review. The company awarded each of the grantees with two class 'A' shares per person. In addition to this arrangement, certain employees were given the opportunity to purchase shares, the consideration of which was set off against the employee's salary. No amounts were payable by the recepient of the shares as at 31 December 2016.

During the year under review an expense of *Eur190,635 (2015 – nil)* was recognised in respect of the share-based payment arrangements. The fair values per each share granted were *Eur78.21* and *Eur133.72* at the beginning and at the end of the period under review respectively. The value was estimated based on the multiples of the comparable listed companies applied to the normalised EBITDA metrics.

22. Significant non-cash transactions

During the year under review, the company and the group entered into the share-based payment arrangements, the details of which are disclosed in note 21.

Also, during the year under review, the allotment of shares in the subsidiary undertaking of the company was settled through the assignment of intangible asset amounting to *EUR860,000*.

23. Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following amounts in the statements of financial position:

	Group		Holding company	
	2016	2015	**2016**	2015
	EUR	EUR	**EUR**	EUR
Cash at bank and in hand	**3,445,154**	1,012,787	**2,005**	1,056
Cash held with payment service providers	**1,872,785**	2,896,515	**-**	-
Bank overdraft	**-**	(10,727)	**-**	-
Cash and cash equivalents in the cash flow statement	**5,317,939**	3,898,575	**2,005**	1,056

23. Cash and cash equivalents (continued)

Cash at bank is held at call and earns interest at floating market rates.

As at 31 December 2016, cash at bank and amounts held with payment service providers amounting to *Eur3,998,360* (2015 – *Eur3,385,486*) represented operators' player monies which use is restricted in terms of the Remote Gaming Regulations, 2004.

24. Related party disclosures

EveryMatrix Holding p.l.c. (formerly EveryMatrix Holding Limited) is the parent company of the undertakings highlighted in note 14.

The parent company of EveryMatrix Holding p.l.c. (formerly EveryMatrix Holding Limited) is Pimino Limited, which is incorporated in Anguilla. The directors consider the ultimate controlling party to be Ebbe Groes, who holds 67% of the issued share capital of Primino Limited, which is the parent company of EveryMatrix Holding p.l.c.

During the course of the year, the group and the holding company entered into transactions with related parties as set out below.

The related party transactions in question were:

Group

	2016			2015		
	Related party activity EUR	Total activity EUR	%	Related party activity EUR	Total activity EUR	%
Cost of sales:						
Related party transactions with:						
Key management personnel and major shareholders	490,056			336,844		
Other related parties	-			131,889		
	490,056	51,050,724	1	468,733	46,065,380	1

24. Related party disclosures (continued)

Holding company

	2016			2015		
	Related party activity EUR	Total activity EUR	%	Related party activity EUR	Total activity EUR	%
Administrative expenses:						
Related party transactions with:						
Key management personnel and major shareholders	41,850			-		
	41,850	68,269	61	-	-	-
Investment income:						
Related party transactions with:						
Subsidiaries	-	-	-	-	15	-

The amounts due from/to related parties at year-end are disclosed in notes 16 and 17. The terms and conditions do not specify the nature of the consideration to be provided in settlement.

25. Operating lease commitments

	Group		Holding company	
	2016 Eur	2015 Eur	2016 Eur	2015 Eur
Minimum lease payments under operating leases recognised as an expense for the year	838,609	791,206	24,855	-

The group is party to several operating lease agrements for lease of office premises in the majority of the countries in which the group operates. The group is committed to pay periodic payments to the lessor under non-cancellable operating leases. The leases have varying terms and renewal rights and some of these leases include fixed increases over the term of the lease. The group does not have an option to purchase the property at the expiry of the lease period.

At the end of the reporting period, the group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

25. Operating lease commitments (continued)

	Group		Holding company	
	2016	2015	**2016**	2015
	Eur	Eur	**Eur**	Eur
Within one year	**838,952**	704,581	**84,000**	
Between one and five years	**855,136**	1,206,988	**143,145**	-
Over five years	-	394,267	-	-
	1,694,088	2,305,836	**227,145**	-

26. Contigent assets and liabilities

As part of the group's ongoing regulatory compliance process, the board of directors of the company, via its Legal and Compliance department monitors legal and regulatory developments and their potential impact on the business and takes appropriate advice in respect of these developments.

Although there are no formal claims against the group, group companies operating under a white label arrangement with operators, may be liable to indirect taxes on transactions generated by players located in any particular jurisdiction whose legislation provides that taxes are payable based on where the end-customer is located. Such white label set-ups are unknown to regulatory and tax laws in certain jurisdictions, thus they are highly subjective to different interpretations. Based on professional legal advise, the directors are confident that the likelihood of a liability arising from such claims against group companies operating under the scenario explained above, is considered remote. To this effect no provision in these financial statements have been made.

27. Fair values of financial assets and financial liabilities

At 31 December 2016 and 2015 the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively approximated their fair values due to the short-term maturities of these assets and liabilities.

The fair values of non-current financial assets are not materially different from their carrying amounts.

28. Financial risk management

The exposures to risk and the way risks arise, together with the group's objectives, policies and processes for managing and measuring these risks are disclosed in more detail below. The objectives, policies and processes for managing financial risks and the methods used to measure such risks are subject to continual improvement and development.

Where applicable, any significant changes in the group's exposure to financial risks or the manner in which the group manages and measures these risks are disclosed below.

Where possible, the group aims to reduce and control risk concentrations. Concentrations of financial risk arise when financial instruments with similar characteristics are influenced in the same way by changes in economic or other factors. The amount of the risk exposure associated with financial instruments sharing similar characteristics is disclosed in more detail in the notes to the financial statements.

Credit risk

Financial assets which potentially subject the group and the company to concentrations of credit risk consist principally of receivables and cash at bank.

Receivables are presented net of an allowance for doubtful debts. An allowance for doubtful debts is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. Credit risk with respect to receivables is limited due to enhanced credit control procedures, regular monitoring of outstanding amounts due to the group and the large number of customers comprising the group's debtor base.

Cash at bank is placed with reliable financial institutions. Where an external independent credit rating is available, the group uses this rating before accepting any new credit institution or payment service provider.

The company assesses the credit quality of its customers by taking into account their financial standing, past experience and other factors such as bank references and the customer's financial position.

Management considers the credit quality of these financial assets as being acceptable. These financial assets do not include any material balances with past default experience. Management is responsible for the quality of the company's credit portfolios and has established credit processes and credit procedures, the objective of which is to build and maintain assets of high quality.

28. Financial risk management (continued)

Credit risk (continued)

Included in the company's trade receivable balance are the following debtors which are past due at the end of the reporting period for which the group has not provided as the amounts are still considered recoverable:

	2016 EUR	2015 EUR
1 - 60 days	**578,583**	1,367,321
60 - 120 days	**179,736**	563,474
Over 120 days	**484,537**	106,048
	1,242,856	2,036,843

As at the end of the reporting period, impairment provisions of *EUR1,305,232* (2015 – *EUR1,305,232*) were made in respect of trade receivables that were overdue and that were not expected to be recovered.

Currency risk

Foreign currency transactions arise when the group buys and sells goods or services whose price is denominated in a foreign currency. Foreign currency transactions comprise mainly transactions in GBP, USD, DKK, CNY, SEK, TRY and RON.

The risk arising from foreign currency transactions, is managed by regular monitoring of the relevant exchange rates, management's reaction to material movements thereto and the use of forward foreign exchange contracts.

Interest rate risk

The group has taken out bank facilities to finance its operations as disclosed in note 20. The interest rates thereon and the terms of such borrowings are disclosed accordingly.

The group is exposed to cash flow interest rate risk on borrowings carrying a floating interest rate. Management monitors the movement in interest rates and, where possible, reacts to material movements in such rates by adjusting its selling prices.

The carrying amounts of the group's financial instruments carrying a rate of interest at the reporting date are disclosed in the notes to the financial statements.

28. Financial risk management (continued)

Liquidity risk

The group monitors and manages its risk to a shortage of funds by monitoring forecast and actual cash flows, by monitoring the availability of raising funds to meet commitments associated with financial instruments and by maintaining adequate reserves and banking facilities. Liquidity is largely managed at group level whereby funds are transferred within the group as the need arises.

As disclosed in note 18, the group has an undrawn investment facility amounting to approximately *EUR209,500* and unused credit facility of *EUR33,600*.

The liquidity requirements of the group's operations in Malta are regulated by the provisions of the Remote Gaming Regulations which requires a licensee to keep players' funds separately from the licensee's own funds in a clients' account held with a credit institution approved by the Malta Gaming Authority. The funds in the players' account shall at any time be at least equal to the aggregate of the amount standing to the credit of the players' accounts held by the licensee or the operator which is contacted with the group.

As at the end of the reporting period, the group and the company reported a net current liability positions of *EUR910,562* and *EUR715,890* respectively. The group enjoys the support of credit institutions, its majority shareholders, and related parties. The company's shareholders and related party balances are expected to continue to form part of the company's and the group'seffective financing structures. The group and the company are therefore confident that they will be in a position to continue to meet its commitments as and when they fall due.

The following maturity analysis for financial liabilities that are considered to have a significant risk on the group's liquidity shows the remaining contractual maturities using the contractual undiscounted cash flows on the basis of the earliest date on which the company can be required to pay. The analysis includes both interest and principal cash flows.

Group

	Within one year Eur	1-3 years Eur
2016		
Non-derivative financial liabilities		
Non-interest bearing	**9,371,378**	**-**
Fixed interest instruments	**263,778**	**94,435**
	9,635,156	**94,435**

28. Financial risk management (continued)

Liquidity risk (continued)

Group (continued)

	Within one year Eur
2015	
Non-interest bearing	11,411,149
Variable interest instruments	10,727
	11,421,876

Holding company

	Within one year Eur
2016	
Non-derivative financial liabilities	
Non-interest bearing	**1,098,832**
2015	
Non-derivative financial liabilities	
Non-interest bearing	3,245

Capital risk management

The group's objectives when managing capital are to safeguard its ability to continue as a going concern and to maximise the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the company and the group comprises items presented within equity in the statement of financial position.

The directors manage the capital structure and make adjustments to it, in light of changes in economic conditions. The capital structure is reviewed on an ongoing basis. Based on recommendations of the directors, the company and the group balance their overall capital structure through the payments of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

29. Events after the end of the reporting period

Subsequent to the end of the reporting period:

a) the company has bought back 4,606 of its shares from one of the shareholders. Further, as part of the share-based payment arrangement, 1,203 of the issued company's shares were transferred to the employees of the group and others, providing similar services;
b) the company and the group had completed the private investment round by selling 32,363 of its treasury shares to the new shareholders;
c) the group has obtained a financial institution license which would enable it to provide electronic payment processing solutions.

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VAT Reg No: MT2013 6121
Exemption number: EXO2155

Independent auditor's report

to the members of
EveryMatrix Holding p.l.c.

Report on the Audit of the Financial Statements

Qualified Opinion
We have audited the individual financial statements of EveryMatrix Holding p.l.c. (the Company) and the consolidated financial statements of the Company and its group (together, the Group), set out on pages 9 to 57, which comprise the statements of financial position as at 31 December 2016, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and notes to the financial statements, including significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements give a true and fair view of the financial position of the Company and its group as at 31 December 2016, and of the Company's and the Group's financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and have been properly prepared in accordance with the requirements of the Companies Act (Cap. 386).

Basis for Qualified Opinion
During the year under review the company has granted share options to certain employees of the company and the group and others, providing similar services to the company and the group. The arrangement was not recognised in the books of the company and the group as required by IFRS 2. Furthermore, the notes to the financial statements do not disclose this fact. We were unable to obtain the fair value calculation of the share option as required by IFRS 2, due to lack of information available to the directors. Consequently, we were unable to determine the adjustment which should have been credited to other equity and debited to profit and loss expenses during the year.

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 *Accountancy Profession (Code of Ethics for Warrant Holders) Directive* (Maltese Code) that are relevant to our audit of the financial statements in Malta, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Maltese Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Information Other than the Financial Statements and the Auditor's Report Thereon
The directors are responsible for the other information. The other information comprises the company information on pages 1 and 2, the statement of directors' responsibilities on page 8 and the information included in the directors' 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 and we do not express any form of assurance conclusion thereon.

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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

With respect to the Directors' report, we also considered whether the Directors' report includes the disclosure requirements of Article 177 of the Companies Act (Cap. 386).

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Independent auditor's report (continued)

to the members of
EveryMatrix Holding p.l.c.

Information Other than the Financial Statements and the Auditor's Report Thereon (continued)
In accordance with the requirements of sub-article 179(3) of the Companies Act (Cap. 386) in relation to the Directors' Report on pages 3 to 7, in our opinion, based on the work undertaken in the course of the audit:

- 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 applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

Responsibilities of the Directors for the Financial Statements
As explained more fully in the statement of directors' responsibilities on page 8, 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 the requirements of the Companies Act (Cap.386), 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 and its group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors' either intend to liquidate the Company and its group or to cease operations, or have no realistic alternative but to do so.

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 ISAs, we exercise professional judgment 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 and its group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors 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 and its group'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 and its group 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.

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Independent auditor's report (continued)

to the members of
EveryMatrix Holding p.l.c.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors 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

Under the Companies Act (Cap. 386), we have responsibilities to report to you if in our opinion:

- Proper accounting records have not been kept;
- Proper returns adequate for our audit have not been received from branches not visited by us;
- The financial statements are not in agreement with the accounting records and returns; or
- We have been unable to obtain all the information and explanations which, to the best of our knowledge and belief, are necessary for the purpose of our audit.

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

The engagement director on the audit resulting in this independent auditor's report is David Delicata.

David Delicata as Director
in the name and on behalf of
Deloitte Audit Limited
Registered auditor
Mriehel, Malta

6 September 2017