EveryMatrix Holding p.l.c.

Report and financial statements

Year ended

31 December 2017

EveryMatrix Holding p.l.c.

Report and financial statements
for the year ended 31 December 2017

Contents

EveryMatrix Holding p.l.c.

Directors, officer and other information

Directors:	Ebbe Groes Stian Hornsletten Norbert Teufelberger Jorn Marius Therkelsen
Secretary:	Claudia Sammut
Registered office:	Level 3, St. Julian's Business Centre Elija Zammit Street St. Julians, STJ 3155 Malta
Country of incorporation:	Malta
Company registration number:	C 44407
Joint Auditors:	BDO Malta Triq it-Torri Msida, MSD 1824 Malta BDO UK LLP 55 Baker Street London, W1U 7EU UK

The directors present their report and the audited financial statements of the group and the company for the year ended 31 December 2017.

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 as well as remote gaming licenses from the UK, 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 also has a Payment Services license from the MFSA 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 EUR 59,623,123 (2016 – EUR 57,614,603) and an operating loss profit of EUR4,120,035 (2016 – profit of EUR 1,093,111). The operating loss reflect the significant investment made in the business to prepare it for future growth, coupled with a high level of bad debts in the year totalling EUR 2,146,956.

After taking into consideration net finance costs and investment income, the group reported a loss before tax of EUR 4,117,903 (2016 – profit EUR 1,005,523) for the year ended 31 December 2017. At the end of the reporting period the group reported net assets amounting to EUR 3,971,309 (2016 – EUR 3,774,244).

The group successfully raised further funds in the year through the issue of 32,363 shares for total consideration of EUR 4,327,558.

Financial

The group's current ratio ("current assets divided by current liabilities") has decreased from 91% at the end of 2015 to 82% at the end of 2017, which is reflective of the investment made by the group.

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, as a result the carrying value of the developed asset is EUR 5,430,371

The group also measures its performance based on adjusted EBITDA. Adjusted EBITDA is defined as the group's profit before depreciation, amortization, net finance expense, bad debts, share based payments and taxation. During the year under review, Adjusted EBITDA decreased to a loss of EUR 283,709 compared to EUR 2,879,599. This is largely due to the increased investment made in systems, people and marketing as well higher regulatory costs.

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.

(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. 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, including the potential impact of Brexit. 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.

(e) 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 25 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 loss for the year after taxation for the group was EUR 4,304,052 (2016 – profit EUR 926,759). There was no interim dividend and the directors do not recommend the payment of a dividend.

Share buy-back

The group acquired 4,606 shares at a total price of €359,590. The shares were transferred to treasury shares.

Post-balance sheet events

Subsequent to the end of the reporting period:

Post year-end the group received a convertible loan for EUR 1,500,000 which was subsequently converted into 11,217 ordinary shares. The group also entered into a facility agreement for EUR 5,000,000, repayable by 31 December 2022, carrying interest of 4% per annum above the three-month EURIBOR rate. At the date of approving these financial statements EUR 1,500,000 had been drawn with the remaining balance being available for draw-down as required.

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.

Directors

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

Ebbe Groes	
Stian Hornsletten	
Norbert Teufelberger	appointed on 1/03/2017
Jorn Marius Therkelsen	appointed on 1/03/2017
Anders Christer Böös	appointed on 1/03/2017, resigned on 13/07/2017
Jan Gottlander	appointed on 1/03/2017, resigned on 7/09/2018

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 2017. The main products where the investments were made were CasinoEngine, OddsMatrix, GamMatrix, MoneyMatrix and PartnerMatrix.

Auditors

BDO LLP and BDO Malta were appointed joint auditors during the year. A resolution will be submitted to the forthcoming Annual General Meeting to re-appoint them as joint auditors.

Approved by the board of directors and signed on 29 March 2019 by:

Ebbe Groes
Director

Stian Hornsletten
Director

Statement of Director's 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.

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EveryMatrix Holding p.l.c.

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of EveryMatrix Holding p.l.c. and its subsidiaries ("the Group"), set out on pages 11 to 37, which comprise the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of financial position for the year then ended, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS's) as adopted by the European Union and have been prepared in accordance with the requirements of the Companies Act (Chapter 386 of the Laws of Malta).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Directors are responsible for the other information. The other information comprises the Group Strategic Report and Group Directors' Report but does not include the consolidated financial statements and our Auditors' Report thereon. Our opinion on the consolidated financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the consolidated 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 Group Directors' Report, we also considered whether the Group Directors' Report includes the disclosures required by Article 177 of the Maltese Companies Act, 1995. Based on the work we have performed, in our opinion:

- the information given in the Group Directors' Report for the financial year for which the financial statements are prepared is consistent with the consolidated financial statements; and
- the Group Directors' Report has been prepared in accordance with the Maltese Companies Act, 1995.

In addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Group Directors' Report. We have nothing to report in this regard.

Report on Other Legal and Regulatory Requirements

Under the Maltese Companies Act, 1995 we are required to report to you if, in our opinion:

- We have not received all the information and explanations we require for our audit
- Adequate accounting records have not been kept, or that 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
- The information given in the Group Directors' Report is not consistent with the financial statements
- Certain disclosures of Directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

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

Responsibilities of the Directors

As explained more fully in the Statements of Directors' Responsibilities set out on page 7, the Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with EU IFRS, 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 consolidated financial statements, the Directors are responsible for assessing the 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 Group or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated 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 consolidated 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 Group's internal control

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors

Independent auditor's report (continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 Auditors' Report to the related disclosures in the consolidated 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 Auditors' Report. However, future events or conditions may cause the Group to cease to continue as a going concern

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

- 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, 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.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Section 179 of the Maltese Companies Act, 1995. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Sam Spiridonov Partner BDO Malta	This report has been signed for and on behalf of BDO MALTA by Sam Spiridonov (Partner)	BDO LLP BDO LLP London, United Kingdom

Date: 29/03/2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

EveryMatrix Holding p.l.c.

Consolidated Statements of profit or loss and other comprehensive income
For the year ended 31 December 2017

	Note	2017 EUR	Restated 2016 EUR
Revenue		**59,636,555**	57,614,603
Cost of sales		**(39,559,827)**	(35,354,193)
Gross profit		**20,076,728**	22,260,410
Other operating income		**-**	136,566
Administrative and other operating expenses		**(24,196,763)**	(21,303,865)
Operating (loss) / profit	5	**(4,120,035)**	1,093,111
Investment income		**3,040**	13,810
Finance costs	6	**(908)**	(101,398)
(Loss) / profit before tax		**(4,117,903)**	1,005,523
Income tax expense	9	**(186,149)**	(78,764)
(Loss) / profit for the year		**(4,304,052)**	926,759
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(180)**	(191,508)
Total comprehensive (loss)/income for the year		**(4,303,872)**	735,251
(Loss) / profit attributable to:			
Owners of the company		**(4,304,052)**	926,759

The notes on pages 15 to 37 form part of this financial information.

EveryMatrix Holding p.l.c.
Consolidated statement of financial position
as at 31 December 2017

	Note	2017 EUR	Restated 2016 EUR
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	10	**695,927**	719,570
Intangible assets	11	**5,444,640**	4,008,854
Deferred tax assets	13	-	55,112
		6,140,567	4,783,536
Current assets			
Trade and other receivables	14	**7,166,322**	5,321,092
Cash and cash equivalents		**2,746,763**	3,445,154
		9,913,085	8,766,246
Total assets		**16,053,652**	13,549,782
Current liabilities			
Trade and other payables	13	**12,006,658**	9,371,378
Bank loans and overdrafts	16	-	263,778
Current tax liabilities		**42,612**	41,653
		12,049,270	9,676,809
Non-current liabilities			
Deferred tax liabilities	13	**33,073**	8,252
Bank loans		-	90,477
		33,073	98,729
Total liabilities		**12,082,343**	9,775,538
Net assets		**3,971,309**	3,774,244
EQUITY			
Share capital	17	**47,395**	4,441
Share premium	18	**4,790,535**	462,977
Other equity	18	**931,505**	931,505
Share based payment reserve	19	**680,964**	190,636
(Accumulated losses)/Retained earnings		**(2,375,053)**	2,288,543
Foreign currency translation reserve		**(104,037)**	(103,857)
Total equity		**3,971,309**	3,774,244

Approved by the board of directors and signed on 29 March 2019 by:

Ebbe Groes, Director   Stian Hornsletten, Director

The notes on pages 15 to 37 form part of this financial information.

EveryMatrix Holding p.l.c.

Consolidated statement of changes in equity for the year ended 31 December 2017

	Share capital EUR	Share premium EUR	Other equity EUR	Share based payment reserve EUR	Foreign currency reserve EUR	Retained earnings EUR	Total equity EUR
Balance at 1 January 2016	4,441	462,977	931,505	-	87,651	1,361,784	2,848,358
Profit for the year	-	-	-	-	-	962,759	926,759
Other comprehensive income for the year	-	-	-	-	(191,508)	-	(191,508)
Total comprehensive income/(loss) for the year	-	-	-	-	(191,508)	926,759	735,251
Issue of new ordinary share capital	43,000	-	-	-	-	-	43,000
Treasury shares	(43,000)	-	-	-	-	-	(43,000)
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
Loss for the year	-	-	-	-	-	(4,304,052)	(4,304,052)
Other comprehensive income for the year	-	-	-	-	(180)	-	(180)
Total comprehensive income for the year	-	-	-	-	-	(4,304,052)	(4,304,052)
Issue of treasury shares	43,000	4,327,558	-	-	-	-	4,370,558
Share-based payments (note 21)	-	-	-	490,329	-	-	490,329
Share buy back	(46)	-	-	-	-	(359,544)	(359,590)
Balance at 31 December 2017	47,395	4,790,535	931,505	680,964	(104,037)	(2,375,053)	3,971,309

The notes on pages 15 to 37 form part of this financial information.

EveryMatrix Holding p.l.c.

Consolidated statement of cash flows
for the year ended 31 December 2017

	2017 EUR	Restated 2016 EUR
Cash flows from operating activities		
(Loss) / profit before tax	**(4,117,903)**	1,005,523
Adjustments for:		
Depreciation	**442,113**	474,132
Loss on disposal of property, plant and equipment	**175,000**	4,084
Amortisation	**750,135**	409,803
Finance costs	**909**	18,452
Share based payments	**490,329**	190,635
Investment income	**(3,040)**	(13,810)
Operating cash flow before working capital movements	**(2,262,457)**	2,088,819
Movement in trade and other receivables	**(1,845,230)**	4,885,030
Movement in trade and other payables	**2,634,907**	(2,039,771)
Cash flows from operations	**(1,472,780)**	4,934,078
Investment income	**3,040**	13,810
Interest paid	**(909)**	(18,452)
Net income tax paid	**(90,569)**	(207,667)
Net cash flows (used in)/generated from operating activities	**(1,561,218)**	4,721,769
Cash flows from investing activities		
Purchase of property, plant and equipment	**(418,337)**	(266,846)
Purchase of intangible assets	**(2,360,862)**	(2,195,067)
Net cash flows used in investing activities	**(2,779,199)**	(2,461,913)
Cash flows from financing activities		
(Repayment) / proceeds from bank loans	**(354,255)**	354,255
Repurchase of shares	**(359,590)**	-
Issue of new share capital	**4,370,558**	-
Net cash flows from financing activities	**3,656,713**	354,255
Net movement in cash and cash equivalents	**(683,704)**	2,614,111
Effect of foreign exchange rate changes	**(14,687)**	(171,017)
Cash and cash equivalents at the beginning of the year	**3,445,154**	1,002,060
Cash and cash equivalents at the end of the year	**2,746,763**	3,445,154

The notes on page 15 to 37 form part of this financial information.

1 Basis of preparation

The financial information has been prepared on the historical cost basis in accordance with International Financial Reporting Standards as adopted by the EU except where certain financial instruments are measured at fair value. The significant accounting policies adopted in this financial information are set out below.

The parent company of the Group is a public limited company and is incorporated and registered in Malta. The registered office is Level 3, St. Julian's Business Centre, Elija Zammit Street, St Julian's, Malta. The Group's principal activity is the development and licensing and software and the provision of services for the online gaming industry.

Going concern

The financial information has been prepared on a going concern basis. The Directors have reviewed cash flow forecasts for a period of 12 months from the approval of the financial statements which includes the availability of a €3.5m facility from a third party and have concluded that the business has sufficient resources to discharge its liabilities as they fall due and therefore the financial statements have been prepared on a going concern basis.

2 Significant accounting policies

Basis of consolidation

The consolidated financial information of EveryMatrix Holding p.l.c. incorporates the financial information of the holding company and entities controlled by the holding company (its subsidiaries) referred to 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.

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.

When necessary, adjustments are made to the results 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.

2 Significant accounting policies *(continued)*

The consolidated financial statements includes the combination of businesses under common control achieved through a group restructuring that falls outside the Scope of IFRS 3 'Business Combinations'. Accordingly following the guidance of IAS 8 'Accounting Policies: Changes in accounting estimates and errors' this financial information has been prepared using the principles of merger accounting. Where merger accounting is applied the subsidiary undertaking is treated as if it had always been a member of the group. The difference between the nominal value of shares issued and fair value of consideration is recorded in other equity.

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.

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 short of 15 years 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.

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 software development 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.

(ii) Computer software
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 based on the directors' view that their value is not expected to diminish over the period of use. After initial recognition, trademarks are carried at cost less any accumulated impairment losses and are tested for impairment annually.

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. All financial assets are classified as loans or receivables and all financial liabilities at amortised cost (with the exception of open bets which are negligible and classified at fair value through profit or loss). There are no financial assets classified at fair value through profit or loss, classified as held to maturity or available for sale.

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.

2 Significant accounting policies *(continued)*

Financial instruments (continued)

(i) Trade receivables

Trade receivables are recognised initially at fair value and subsequently at amortised cost using the effective interest rate method less provision for impairment. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

(ii) Bank borrowings

Subsequent to initial recognition at fair value net of any transaction costs, interest-bearing bank loans are measured at amortised cost using the effective interest method.

(ii) Other borrowings

Subsequent to initial recognition at fair value net or any transaction costs, other borrowings are measured at amortised cost using the effective interest method.

(iv) Trade and other payables

Trade and other payables are initially measured at fair value and subsequently at amortised cost using the effective interest method.

(v) Share capital

Ordinary shares issued by the holding company are classified as equity instruments. Redemptions or refinancings of equity instruments are recognised as changes in equity. Shares purchased by the company and held prior to issue to employees under share-based payment arrangements are recorded as treasury shares.

Provisions and contingent liabilities

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. Where it is less than probable but not remote that a liability will arise, where practical an estimate of the amount and description thereof is disclosed as a contingent liability.

Impairment

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.

2 Significant accounting policies *(continued)*

Impairment (continued)

In the case of 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.

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.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable 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 and recorded within revenue.

Gaming revenues are recognised net after the deduction of players' winnings, customer incentives, progressive jackpots and promotional bonuses. Progressive jackpots where the group has a requirement to settle are recorded as liabilities in full upon receipt of the progressive jackpot contribution.

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) Provision of services

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

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.

2 Significant accounting policies *(continued)*

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.

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 information 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.

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

Interim Dividends to holders of equity instruments are recognised as liabilities in the period in which they are declared and approved. Final dividends are recognised when approved by shareholders at the AGM. Dividends to holders of equity instruments are recognised directly in equity.

2 Significant accounting policies *(continued)*

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 information of the group is presented in Euro, being the functional currency of the holding company and the currency of the primary economic environment in which the group 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.

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 information, income and expenses of the group's foreign operations are translated to Euro at the average rate for the period. 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 statement of cash flows and are presented in current liabilities on the statements of financial position.

Prior year misstatement

The prior year financial statements have been restated due to an accounting classification error. The restatement gives rise due to a reclassification to reduce cash by EUR 1,872,785 and increase receivables by the same amount. There was no impact on net assets or prior year profit. In addition, certain prior year costs recorded within cost of sales totalling EUR 10,711,187 were reclassified to admin expenses to more accurately reflect the nature of the costs.

3 Critical accounting estimates

The preparation of financial information requires the Group to make estimates and judgements that affect the application of policies and reported amounts. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

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:

(i) Software development costs (note 11)

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.

(ii) Recovery of trade receivables (note 14)

The assessment for a need for provision of trade receivables requires judgement. In making a provision the directors consider all available information including past payment practices and also post period end receipt of cash.

(iii) Legal proceedings and contingent liabilities (note 22)

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. This includes consideration of direct and indirect taxation matters as the taxation of e-commerce businesses continues to develop. The Group may be subject to VAT on transactions that have been treated as exempt supplies or gambling, or on supplies which have been exported outside the scope of VAT where legislation provides that the services are received or used and enjoyed in the country where the service provider is located.

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 mandatory for adoption:

IFRS 15 – Revenue from Contracts with Customers (effective for periods beginning on 1 January 2018)

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.

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 information. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the company performs a detailed review.

IFRS 9 – Financial instruments (effective for periods beginning on 1 January 2018)

The final version of IFRS 9 replaces *IAS 39 Financial Instruments: Recognition and Measurement.*

The directors of the company anticipate that the application of IFRS 9 may have a material impact on the amounts reported in respect of the company's financial assets.

IFRS 16 – Leases (effective for periods beginning on 1 January 2019)

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. Early application is permitted for companies that also apply IFRS 15 *Revenue from Contracts with Customers.*

It is not practicable to provide a reasonable estimate of the effect of IFRS 16 until the company performs a detailed review but would expect the lease commitments disclosed in note 21 to be recorded as right of use assets with a corresponding liability.

5 Operating (loss) / profit

The operating (loss) / profit is stated after charging:

	2017 EUR	2016 EUR
Depreciation	**442,113**	474,132
Amortisation	**750,135**	409,803
Audit fees	**94,000**	101,300
Non-audit fees	**6,000**	75,024
Bad debt expense	**2,146,956**	799,509
Share based payments	**490,329**	190,635

6 Finance costs

	2017 EUR	2016 EUR
Interest on bank overdraft	**-**	18,452
Bank charges	**908**	82,946
	908	101,398

7 Key management personnel compensation

	2017 EUR	2016 EUR
Short-term benefits:		
Remuneration	**395,814**	447,421
Share-based payment	**406,435**	42,635
	802,249	490,056

8 Staff and third-party labour costs

	2017 EUR	2016 EUR
Staff costs:		
Wages and salaries	**7,429,944**	7,998,842
Share-based payment	**490,329**	190,635
Social security costs and other contributions	**1,342,516**	1,232,676
	9,262,790	9,422,153
Add: Third party subcontracted labour	**3,480,109**	2,169,101
Less: Capitalised salaries	**(2,114,462)**	(2,099,243)
	10,628,437	9,492,011

The average number of persons employed by the group during the year, including directors was 313 (2016: 318)

9 Income tax expense

	2017 EUR	2016 EUR
Current tax expense	**106,216**	75,993
Deferred tax charge	**79,933**	2,771
	186,149	78,764

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

	2017 EUR	2016 EUR
(Loss) / profit before tax	**(4,304,052)**	1,005,523
Tax at the applicable rate of 35%	**(1,506,418)**	351,933
Tax effect of:		
Disallowable costs	**30,515**	110,434
Timing differences	**121,231**	26,412
Prior year adjustment	**474**	-
Effect of different tax rates	**(81,050)**	(260,501)
Tax losses (brought)/carried forward	**1,621,397**	(149,514)
Income tax expense for the year	**186,149**	78,764

The tax rate used for the 2017 and 2016 reconciliations above is the corporate tax rate of 35% payable by corporate entities in Malta on taxable profits under tax law in that jurisdiction.

10 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 1 January 2016	78,219	197,494	1,107,062	126,872	1,509,647
Additions	-	-	266,846	-	266,846
Disposals	-	-	(29,275)	(3,299)	(32,574)
Foreign exchange	(1,662)	(4,402)	(29,427)	(3,176)	(38,667)
At 1 January 2017	76,557	193,092	1,315,206	120,397	1,705,252
Additions	-	37,221	377,457	3,659	418,337
Disposals	-	-	-	-	-
Foreign exchange	(2,155)	-	(3,883)	(1,994)	(8,032)
At 31 December 2017	**74,402**	**230,313**	**1,688,780**	**122,061**	**2,115,557**
Accumulated depreciation					
At 1 January 2016	3,173	108,788	406,347	42,473	560,781
Charge	1,566	52,730	393,663	26,173	474,132
Disposals	-	-	(28,490)	-	(28,490)
Foreign exchange	(103)	(3,104)	(16,007)	(1,527)	(20,741)
At 1 January 2017	4,636	158,414	755,513	67,119	985,682
Charge	1,690	29,888	388,555	21,980	442,113
Disposals	-	-	-	-	-
Foreign exchange	-	(1,309)	(6,332)	(524)	(8,165)
At 31 December 2017	**6,326**	**186,993**	**1,173,736**	**88,575**	**1,419,630**
Carrying amount					
At 1 January 2016	75,046	88,706	700,715	84,399	948,866
At 31 December 2016	71,921	34,678	559,693	53,278	719,570
At 31 December 2017	**68,076**	**43,320**	**551,044**	**33,487**	**695,927**

11 Intangible assets

Group	**Goodwill EUR**	**Trademark EUR**	**Computer software licences EUR**	**Software development costs EUR**	**Total EUR**
Cost					
At 1 January 2016	5,626	257,000	154,944	1,999,459	2,417,029
Additions	-	-	95,825	2,099,242	2,195,067
Foreign exchange	-	-	(4,407)	-	(4,407)
At 1 January 2017	5,626	257,000	246,362	4,098,701	4,607,689
Additions	-		8,476	2,352,386	2,360,862
Disposals	-	(175,000)	-	-	(175,000)
Foreign exchange	-	-	140	-	140
At 31 December 2017	**5,626**	**82,000**	**254,978**	**6,451,087**	**6,793,691**
Accumulated amortisation					
At 1 January 2016	-	82,000	31,572	77,302	190,874
Charge	-	-	98,396	311,407	409,803
Foreign exchange	-	-	(1,842)	-	(1,842)
At 1 January 2017	-	82,000	128,126	388,709	598,835
Charge	-	-	118,128	632,007	750,135
Foreign exchange	-	-	81	-	81
At 31 December 2017	**-**	**82,000**	**246,335**	**1,020,716**	**1,349,051**
Carrying amount At 1 January 2016	**5,626**	**175,000**	**123,372**	**1,922,157**	**2,226,155**
At 31 December 2016	5,626	175,000	118,236	3,709,992	4,008,854
At 31 December 2017	**5,626**	**-**	**8,463**	**5,430,371**	**5,444,640**

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 *EUR nil* (2016 – *EUR 419,469*), which represent assets in the course of construction which have not yet been completed and have therefore not been amortised.

12 Subsidiaries

Details of the percentage ownership of the Group's subsidiaries as at 31 December 2017 are set out below:

	2017 %	2016 %
EveryMatrix Limited	**100**	100
EveryMatrix Development Ltd	**100**	100
EveryMatrix Software Limited	**100**	100
MoneyMatrix Limited	**100**	100
EveryMatrix UK Limited	**100**	100
EveryMatrix N.V.	**100**	100
EveryMatrix Gaming Operations N.V.	**100**	100
EveryMatrix S.R.L.	**100**	100
Changsha EveryMatrix Software Co. Ltd	**100**	100

13 Deferred tax assets and liabilities

	Opening balance EUR	Recognised in profit or loss EUR	Closing Balance EUR
2017			
Arising on:			
Temporary differences			
Accelerated tax depreciation and unutilised tax losses	**45,538**	**(45,538)**	-
Provisions	**9,574**	**(9,574)**	-
Deferred tax assets	**55,112**	**(55,112)**	-
Arising on:			
Temporary differences			
Property, plant and equipment	**(15,641)**	**(17,432)**	**(33,073)**
Provisions	**7,389**	**(7,389)**	-
Deferred tax liabilities	**(8,252)**	**(24,821)**	**(33,073)**
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)

13 Deferred tax assets and liabilities *(continued)*

At 31 December 2017, unused tax losses of *EUR 1,832,250 (2016 – EUR 210,853)* 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.

14 Trade and other receivables

	2017 EUR	Restated 2016 EUR
Trade receivables	**6,572,527**	3,255,782
Allowance for doubtful debts	**(1,433,066)**	(122,417)
Amounts owed by related parties	**122,637**	137,587
Other receivables	**461,234**	896,372
Prepayments and accrued income	**1,442,990**	1,153,768
	7,166,322	5,321,092

No interest is charged on trade and other receivables.

Amounts due from 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 *EUR 2,146,956* (2016 – *EUR 799,509*) was charged to the income statement. This is included with administrative and other operating costs.

15 Trade and other payables

	2017 EUR	2016 EUR
Trade payables	**3,939,450**	2,227,324
Other payables	**1,512,636**	1,050,027
Players' and jackpot liabilities	**3,978,801**	4,235,868
Accruals and deferred income	**2,575,771**	1,858,159
	12,006,658	9,371,378

No interest is charged on trade and other payables.

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.

16 Bank loans and overdrafts

Group	**2017 EUR**	**2016 EUR**
Bank overdraft	-	-
Bank loans	-	354,255
Less: Amount due for settlement within 12 months (shown under current liabilities)	-	(263,778)
Amount due for settlement after 12 months	-	90,477

Bank overdrafts and loans are repayable as follows:

	2017 EUR	**2017 EUR**
On demand or within one year	-	263,778
In the second year	-	-
In the third year	-	90,477
	-	354,255

The bank loans were repaid in the year. The loans previously charged interest at the rates of 3.5% and 4.25% above the 1M ROBOR per annum and were secured with the cash collateral deposit in amount of *EUR 297,504*.

17 Share capital

	2017 Authorised, issued and called up EUR	**2016 Authorised, issued and called up EUR**
Equity shares: 4,744,055 (2016 – 4,744,055) ordinary shares of EUR 0.01 each, all of which have been issued and called up	**47,441**	47,441
Classified with treasury shares: 4,606 (2016 – 4,300,000) ordinary shares of EUR 0.01 each, all of which have been issued and called up	**(46)**	(43,000)
	47,395	4,441

17 Share capital

On 30 January 2017, 601 shares held by EveryMatrix Limited were issued to employees and directors with 4,299,399 of the shares being re-designated as ordinary 'B' shares with the ordinary shares being classified as 'A' shares. The ordinary 'B' shares have no rights but convert to ordinary 'A' shares once issued to or acquired by employees and directors. Subsequent to the balance sheet date a number of these shares were transferred to the entitled employees and service providers or acquired and consequently converted to 'A' shares.

The group successfully raised further funds in the year through the issue of 32,363 shares from treasury for total consideration of EUR 4,327,558.

The group acquired 4,606 shares at a price of €359,590. The shares were transferred to treasury shares.

18 Equity

The following describes the nature and purpose of each reserve within equity:

Share premium	Amount subscribed for share capital in excess of nominal value.
Other equity	Represents the difference between the nominal value of shares acquired by the Company and the fair value of consideration payable on a group restructuring arrangement
Share based payment reserve	Represents the fair value of awards made under the Group's share option schemes
Foreign currency translation reserve	Gains/losses arising on retranslating the net assets of overseas operations into Euro
Retained earnings	The account includes cumulative profits and losses less any distributions made to shareholders

19 Equity-settled employee benefits reserve

The company issued 15,330 equity settled options to certain members during the year. The options vest on a graded basis on 6-month intervals over two years at an exercise price of EUR 133.72 per share. The key assumptions include volatility of 50% and risk-free rate of 0.5% resulting in a fair value of EUR 37.76 per share. At the year-end 7,664 share options had vested but had not been exercised.

In the prior years, 872 options were issued to one employee that vest on graded basis over 5 years. Those options had an exercise price of EUR 57.33 per share with volatility of 50% and risk-free rate of 0.5%. The fair value of the options was EUR 38.54 per share. 519 of these options had vested at the year-end but had not been exercised.

Further, in the current year 408 shares with no vesting terms were issued to employees, resulting in a charge of EUR 54,558.

During the year under review an expense of *EUR 490,329 (2016 – EUR 190,635)* was recognised in respect of the share-based payment arrangements. The total number of options outstanding at the year-end was 16,202 with 8.183 having vested.

20 Related party disclosures

The directors consider the ultimate controlling party to be Ebbe Groes, who holds 67% of the issued share capital 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 were:

	2017 EUR	2016 EUR
Related party transactions with:		
Key management personnel and major shareholders	**395,814**	490,056
Other related parties	**406,435**	-
	802,249	490,056

The amounts due from/to related parties at year-end are disclosed in notes 16 and 17, no provision have been recorded against amounts due from related parties in either period.

21 Operating lease commitments

	2017 EUR	2016 EUR
Minimum lease payments under operating leases recognised as an expense for the year	**710,305**	838,609

The group is party to several operating lease agreements 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:

	2017 EUR	2016 EUR
Within one year	**786,490**	838,952
Between one and five years	**1,393,288**	855,136
Over five years	**163,944**	-
	2,343,722	1,694,088

22 Contingent 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. There are currently no material legal or regulatory claims against the group.

The taxation of e-commerce in certain jurisdictions is developing and in some instances the taxation due is subjective to different interpretations. There is therefore a risk that the group 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. Whilst there are no ongoing claims or enquiries 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 less than probable. To this effect no provisions in the financial information have been made. In addition, the overall international tax environment and taxation of e-commerce businesses in certain jurisdictions continues to develop and the group will need to continue to monitor any potential risks arising as a result.

23 Fair values of financial assets and financial liabilities

At 31 December 2017 and 2016 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 value of open bets was negligible in the current and prior year.

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

24 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 this financial information.

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. The group is exposed to credit risk due to the nature of customers, a number of which are small businesses. The group continues to undertake enhanced credit control procedures and regularly monitoring outstanding amounts.

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 and in line with the strategy of the group. These financial assets do not include any material balances with past default experience.

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:

	2017 EUR	2016 EUR
1 - 60 days	**627,812**	578,583
60 - 120 days	**417,878**	179,736
Over 120 days	**478,062**	484,537
	1,523,752	1,242,856

25 Financial risk management *(continued)*

Credit risk (continued)

As at the end of the reporting period, impairment provisions of EUR 1,433,066 (2016 – *EUR 122,417*) 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. Where possible the group's policy is to allow group entities to settle amounts in their functional currency.

Interest rate risk

The group had previously taken out bank facilities to finance its operations as disclosed in note 18 which were repaid in the year. The interest rates thereon and the terms of such borrowings are disclosed accordingly.

The group was 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 note 18.

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.

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.

25 Financial risk management *(continued)*

Liquidity risk (continued)

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.

	Within one year EUR	1-3 years EUR
2017		
Non-derivative financial liabilities		
Non-interest bearing	**12,006,660**	-
Fixed interest instruments	-	-
	12,006,660	-

	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

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.