GAMING REALMS

PLAYING A NEW GAME

Annual Report and Accounts

2020

Gaming Realms is an international developer, publisher and licensor of mobile games, building a portfolio of highly popular gaming content and brands.
Through its unique IP and brands, Gaming Realms is bringing together media, entertainment and gaming assets in new game formats. The Gaming Realms management team includes accomplished entrepreneurs and experienced executives from a wide range of leading gaming and media companies.

Contents

www.gamingrealms.com

Highlights

2020 Financial highlights:

» Revenue increased by **66% to £11.4m** (2019: £6.9m) for the year
- Licensing revenue increased **81% to £7.5m** (2019: £4.1m)
- Social publishing revenue increased **41% to £3.9m** (2019: £2.8m)

» Adjusted EBITDA[1] before share option and related charges of **£3.3m** (2019: loss of £0.2m)

» Adjusted EBITDA from continuing operations of **£2.9m** (2019: loss of £0.3m)
- Licensing segment generated **£3.7m** adjusted EBITDA (2019: £1.4m)
- Social publishing segment generated **£1.4m** adjusted EBITDA (2019: £0.8m)
- Head office costs reduced to **£2.2m** (2019: £2.4m) through ongoing cost control

» Loss for the year reduced to **£1.5m** (2019: £5.4m)

2020 Operational highlights:

» Portfolio grew to **44 proprietary games** on the Group's remote game server ("RGS") (2019: 34)

» Launched with **26 new partners** for Slingo Originals content, including 888casino.com, DraftKings, Paddy Power Betfair and Sky Betting & Gaming

» **Signed licensing deals** with NetEnt, Playtech, Inspired Entertainment and King Show Games to build new innovative Slingo games

» Unique players in licensing business increased by **140%**

» Submitted licence applications in order to enter the Pennsylvania and Michigan iGaming markets

» **Prepared for launch** in the Italian market

1 EBITDA is profit before interest, tax, depreciation, amortisation and impairment expenses and is a non-GAAP measure. The Group uses EBITDA and adjusted EBITDA to comment on its financial performance. Adjusted EBITDA is EBITDA excluding non-recurring material items which are outside the normal scope of the Group's ordinary activities. Adjusting items include costs arising from a fundamental restructuring of the Group's operations, management restructuring costs, relocation costs, impairment of financial assets and sales proceeds on business asset disposals. See Note 5 for further details.

At a Glance

Innovation

Gaming Realms develops, publishes and licenses mobile gaming content.

As the creator of a variety of Slingo™, bingo, slots and other casual games, we use our proprietary content to create a "Slingo" genre of games for our partners internationally. Gaming Realms has partnered with some of the most successful and popular global platforms and operators.

Integrated game development, licensing and publishing

Game development

2 Mobile games studios:

Brand licensing

IP licensor

- North American Lottery Printed Scratch Games – Scientific Games
- Global Electronic Gaming Machines – Scientific Games
- Global Lottery Mobile Instant Games – IWG
- Social Slot Games – Zynga Inc.

Game licensing

- Bingo – Pala Interactive
- iGaming Library – US, UK and EU
  - US – BetMGM, DraftKings, RSi, Golden Nugget, Betfair/Fanduel, Caesars Interactive, Resorts, Hardrock, Ocean Resorts, Pala Interactive, Parx Casino and Kindred
  - Europe – Gamesys, Entain, Sky Betting & Gaming, Paddy Power Betfair, 888, Skill On Net, Rank, 32 Red, William Hill, Kindred, Buzz Bingo, Jumpman, Whitehat, Leo Vegas, Betsson, Sisal, Goldbet

Brand partnerships

- Endemol – Deal or No Deal
- Fremantle – Britain's Got Talent, the X Factor, The Price Is Right
- Sony – Who Wants to Be a Millionaire
- Scientific Games – Rainbow Riches
- Inspired Entertainment – Centurion, Reel King
- NetEnt – Starburst
- King Show Games – Lucky Larry Lobstermania
- Playtech – Fluffy Favourites

Growing international partners

Key focus areas

Original game content and IP development

We build original content from our London and Vancouver Island game studios incorporating social meta games and real money mechanics with Slingo and other well-known brands.

Advanced mobile gaming platform

We have invested significantly in our Remote Gaming Server ("RGS"), which hosts and distributes our game portfolio. The scalable platform facilitates future growth through existing infrastructure for new games and distribution.

Data and algorithmic optimisation

"It's all about the data" – we put the customer first, developing engaging content and using data to enhance the development feedback loop.

Strategic partners and licensing

Partners include Endemol, Zynga, IWG, Inspired Entertainment, Hasbro and Scientific Games.

Not only do we leverage our own IP across multiple brands, but we also license Slingo into markets adjacent to the Group's core mobile gaming business.

Highly Experienced Team

As we have transitioned our core focus to the licensing business, we have built up a high-quality management team of sector specialists to drive the implementation of our strategy.

Responsible gambling

Gaming Realms is committed to providing an environment for customers to play responsibly and securely. Since commencing operations, we have had measures in place to encourage responsible play – to keep it fun – and have provided tools to help keep customers' gaming and spending within their control.

In addition, we fund research, education and treatment of problem gambling through donations to GambleAware.

We always ensure that Responsible Gambling is at the heart of our game design process and have recently built a tool for players to set their own limits on stakes and features within games. We only contract with licenced partners, ensuring that the players are given a high level of protection through these operators. As our games are certified in highly regulated markets such as the UK and Sweden, the standards we have to provide for our games and RGS systems in terms of player protection is already set to an incredibly high level.

Executive Chairman's Statement

A transformational year

Michael Buckley
Executive Chairman

"Our focus on content licensing resulted in 81% revenue growth in our licensing business"

The Group made excellent progress during the year, increasing revenues by 66% to £11.4m (2019: £6.9m) and producing a maiden adjusted EBITDA profit before share option and related charges of £3.3m (2019: loss of £0.2m). This underscores the success of the revised strategy we set out at the beginning of 2020 to focus on our core licensing business segment, as well as delivering growth in our social publishing division.

Our focus on content licensing resulted in 81% revenue growth in our licensing business to £7.5m (2019: £4.1m). We are seeing strong momentum within this business, with increased international demand for our Slingo Originals portfolio. With growing distribution via our proprietary Remote Game Server ("RGS"), we have been able to increase our EBITDA margin within the licensing segment to 50% (2019: 34%), resulting in EBITDA of £3.7m (2019: £1.4m).

Licensing business highlights:

- Increased our library of proprietary games by 10 to 44 games at year-end.
- Went live with 26 new partners during the year, all of which have licensed our Slingo Originals content.
- Went live with a number of "Tier 1" partners through our Scientific Games distribution channel.
- Increased our unique players in the year by 140% to 2.28m (2019: 0.95m)
- Signed deals with NetEnt, King Show Games and Inspired Entertainment for new branded Slingo games.
- Maintained in excess of a 3.5% market share of sales in New Jersey, USA, from online slot products throughout the year. During 2020, the New Jersey online casino market grew by 102%.

We grew our social publishing business in the year, reversing the trends of previous years. Revenues grew 41% to £3.9m (2019: £2.8m), the result of both publishing our Slingo Originals portfolio, as well as the development of new tournament and promotional features on the platform. With increasing margins, EBITDA has grown to £1.4m (2019: £0.8m). As a result, the division produced a cash contribution to the Group.

2020 was a challenging year with the difficulties imposed by COVID restrictions. The highly pleasing financial results and groundwork for the future years would not have been achieved without management and staff showing excellent dedication and adaptability in the challenging circumstances. I should like to thank them all for their efforts which are reflected in these Financial Statements.

Outlook for 2021

We are continuing our focus on the following areas:

- International expansion – particularly in the US and European regulated markets
- Adding new distributors, operators and licensors
- Further penetration with existing distributors and operators driven by new games

The Group has made encouraging progress so far in 2021, obtaining a supplier licence in Michigan and expecting to be live imminently. We are committing a lot of resources to growing the U.S. iGaming market and expect to obtain a supplier license and go live in Pennsylvania in the first half of the year. As a result, we are well prepared to take advantage of the growth of iGaming within the U.S., and have signed several multi-State deals and direct integration agreements with the largest operators, including Rush Street Interactive, DraftKings and BetMGM.

We have also signed a distribution agreement with GAN for the U.S. and European markets. In January of this year, we had a successful launch in the Italian regulated market and are encouraged by early trading. We have further launches planned in the regulated markets of Denmark, Spain, Canada and Portugal.

We have also recently launched *Slingo Starburst*, through our licencing agreement with NetEnt, which has proven extremely popular with our players and partners internationally. It has been our most successful launch to date in both unique player numbers and revenue generated in its first month.

With regards to this year's trading, I am pleased to inform shareholders that our licensing revenues for the first quarter of this year are 60% ahead of the same period in 2020, and we are operating slightly ahead of Board expectations. With these early results, and the imminent launches in both Michigan and Pennsylvania, the Board has every confidence in the strategy being pursued and its expectations for this year and beyond.

COVID-19

Our top priority in response to the pandemic has been the health and welfare of our employees and partners as mentioned above. Our team has demonstrated incredible commitment and focus to maintain complete business continuity and we will continue to support them as we move to a more flexible model post COVID-19.

Michael Buckley
Executive Chairman

26 April 2021

Financial Review

Strategy is delivering profitable growth

Mark Segal
Chief Financial Officer

"In 2020 the Group was able to focus on successfully executing its core strategy of scaling the licensing business"

Overview

In 2020 the Group was able to focus on successfully executing its core strategy of scaling the licensing business.

For the year, the Group delivered adjusted EBITDA on a continuing basis of £2.9m (2019: £0.3m adjusted EBTIDA loss). This has resulted in a significant reduction in the pre-tax loss of £1.6m compared with the previous year (2019: £4.7m loss from continuing operations).

In the prior year, the Group completed its disposal of the real money B2C assets and realised a £0.8m profit on disposal. The B2C RMG segment is presented as a discontinued operation in the comparative 2019 results. There were no such asset disposals during 2020.

Continuing operations

Year-on-year continuing revenue increased 66% to £11.4m (£2019: £6.9m) due to the strong performance of both the licensing and social publishing segments in the year.

Continuing operations generated adjusted EBITDA of £2.9m (2019: £0.3m loss) and £3.3m before share option and related charges (2019: £0.2m loss).

EBITDA generated from continuing operations was £2.0m (2019: £0.8m loss) including restructuring costs of £0.5m (2019: £0.3m) and impairment of assets of £0.4m (2019: £0.2m).

Operating expenses for the year increased to £2.2m (2019: £1.5m) principally as a result of costs directly associated with the revenue growth in both the licensing and social publishing segments.

Adjusted administrative expenses increased slightly to £5.5m (2019: £5.4m) due to increased staff costs in the licensing segment in order to drive the revenue growth, offset by head office cost savings compared to 2019.

Licensing

Licensing segment revenues increased 81% to £7.5m (2019: £4.1m) due to the successful implementation of the Group's strategy of growing both the games content and distribution to an increased number of operators in Europe and the US.

During 2020, the Group went live with an additional 26 partners in Europe, New Jersey and Latin America. After the year-end, the Group went live with a further 9 new operators, including Sisal and Goldbet in Italy, which represents a new regulated market for the Group.

10 new Slingo games were launched to the market during 2020, including Slingo Fluffy Favourites and Slingo Reel King.

Revenues from the U.S. market continue to be a focus for the segment, and in 2020 increased to £2.4m (2019: £1.7m), representing 32% of total licensing revenues (2019: 40%). This market is expected to gain further prominence for the Group given the recently announced successful license application in Michigan and pending application in Pennsylvania.

Social publishing

The Group's social publishing business delivered strong growth in 2020, with revenues increasing to £3.9m (2019: 2.8m). With continued cost controls in place, this resulted in the segment delivering £1.4m adjusted EBITDA for the year (2019: £0.8m).

Marketing expenses of £0.2m were incurred (2019: £0.1m) in order to drive player activity and revenues.

Discontinued operations

Discontinued operations in the prior year relate only to B2C RMG.

In July 2019 the Group concluded its transaction with River Tech plc ("River"), which finalised the Group's strategy of withdrawing from the UK real money B2C market to focus on game development and licensing activities. The Group recorded a profit on disposal of these assets of £0.8m in the prior year.

The Group recorded a loss after tax from discontinued operations of £0.8m in the prior year, comprising £0.7m profit on disposal of assets, £0.2m share of loss of associate prior to disposal, and incurred trading losses until disposal of £1.3m.

Discontinued operations have been discussed in more detail in Note 24.

£7.5m
licensing revenue (2019: £4.1m)

£2.9m
Adjusted EBITDA (2019: loss of £0.3m)

£2.0m
Cash inflow from operating activities (2019: £1.5m outflow)

Cashflow, Balance Sheet and Going Concern

Net cash (Note 20) decreased by £0.5m in 2020 (2019: increased by £1.0m) to £2.1m at 31 December 2020 (2019: £2.6m). The current year reduction in net cash was largely driven through the £2.4m of development costs capitalised in the year (2019: £2.7m) offset by the £2.0m cash inflow from operating activities (2019: £1.5m outflow).

After the year-end, on 1 April 2021 the Group received £1.0m from River for full and final settlement of the deferred consideration receivable (see Note 19), certain other receivable balances, and various legal proceedings and out of court disputes between the parties.

Net assets totalled £10.9m (2019: £12.1m).

The prolonged COVID-19 pandemic has brought significant uncertainty to global markets and economies, including the real money gambling sector. The Directors have performed qualitative and quantitative assessments of the associated risks facing the business and its ability to meet its short and medium-term forecasts. The forecasts were subject to stress testing to analyse the reduction in forecast revenues required to bring about insolvency of the Company unless capital was raised. In such cases it is anticipated that mitigation actions, such as reduction in overheads could be implemented to stall such an outcome.

The Directors confirm their view that they have carried out a robust assessment of the emerging and principal risks facing the business. As a result of the assessment performed, the Directors consider that the Group has adequate resources to continue its normal course of operations for the foreseeable future.

Dividend

During the year, Gaming Realms did not pay an interim or final dividend. The Board of Directors are not proposing a final dividend for the current year.

Corporation and deferred taxation

The Group received £0.05m (2019: £0.1m) in research and development credits in Canada. A current year tax charge of £0.1m (2019: £0.1m) principally relates to taxation in overseas jurisdictions in which the Group operates. The Group also recognised an unwind of deferred tax of £0.1m (2019: £0.1m) which arose on prior year business combinations.

Mark Segal
Chief Financial Officer

26 April 2021

The table below sets out the split of revenue and adjusted EBITDA on a continuing and discontinued operations basis:

2020	Continuing operations				Discontinued	
	Licensing £'000	Social Publishing £'000	Head office £'000	Total continuing £'000	Real money gaming £'000	Total 2020 £'000
Revenue	**7,515**	**3,886**	**2**	**11,403**	**–**	**11,403**
Marketing expense	**(18)**	**(243)**	**(94)**	**(355)**	**–**	**(355)**
Operating expense	**(1,071)**	**(1,161)**	**–**	**(2,232)**	**–**	**(2,232)**
Administrative expense	**(2,610)**	**(1,090)**	**(1,804)**	**(5,504)**	**–**	**(5,504)**
Share option and related charges	**(71)**	**(7)**	**(294)**	**(372)**	**–**	**(372)**
Adjusted EBITDA	**3,745**	**1,385**	**(2,190)**	**2,940**	**–**	**2,940**

2019	Continuing operations				Discontinued operations	
	Licensing £'000	Social Publishing £'000	Head office £'000	Total continuing £'000	Real money gaming £'000	Total 2019 £'000
Revenue	4,147	2,758	106	7,011	6,002	13,013
Marketing expense	–	(130)	(82)	(212)	(706)	(918)
Operating expense	(773)	(855)	1	(1,627)	(4,908)	(6,535)
Administrative expense	(1,970)	(1,001)	(2,446)	(5,417)	(1,965)	(7,382)
Share option and related charges	–	–	(10)	(10)	–	(10)
Adjusted EBITDA	1,404	772	(2,431)	(255)	(1,577)	(1,832)

Engaging with Stakeholders

The Board recognises that Gaming Realms has a number of stakeholders, including shareholders, customers, employees, suppliers and regulators. The Board is cognizant of its responsibility to understand each of their views and does this through a variety of methods, which are continually reviewed to remain effective. Updates are provided and discussed at Board and relevant Committee meetings. Throughout this Annual Report, we have provided information on some of the initiatives and approaches undertaken in relation to stakeholder engagement by the Group during 2020.

Section 172 statement

The Board of Directors, in line with their duties under section 172 ("s172") of the Companies Act 2016, act in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so have regard to a range of matters when making decisions for the long term. Key decisions and matters that are of strategic importance to the Company are appropriately informed by s172 factors.

The 2018 UK Corporate Governance Code (the '2018 UK Code') reinforced the importance of the Board understanding the views of the Company's key stakeholders and this section is intended to provide information on how stakeholders' interests have been considered in Board discussions and decision-making processes in accordance with the 2018 UK Code.

Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders and other matters in their decision making. The Directors continue to have regard to the interests of the Company's employees and other stakeholders, the impact of its activities on the community, the environment and the Company's reputation for good business conduct, when making decisions. In this context, acting in good faith and fairly, the Directors consider what is most likely to promote the success of the Company for its members in the long term. We explain in this annual report, and below, how the Board engages with stakeholders.

The Board regularly reviews the Company's principal stakeholders and how it engages with them. This is achieved through information provided by management and also by direct engagement with stakeholders themselves.

Shareholders

The Board is committed to maintaining constructive dialogue with shareholders and ensuring that it has a deep understanding of their views. It also recognises that shareholders consider a range of environmental, social and governance matters. The Chair and Chief Financial Officer, on behalf of the Board, meet shareholders regularly and report to the Board on these discussions. All Directors are also available to meet institutional investors on request.

Some of the activities undertaken during 2020 are summarised below:

- The Company has engaged with an Investor Relations consultant.
- The Chair engaged with key shareholders on corporate governance matters.
- The Non-Executive Directors have engaged with stakeholders during the year.
- Private individual shareholders were communicated with via the Company Secretary.
- The Chairman and Chief Financial Officer have conducted a number of "online" presentations and interviews in order to have greater transparency with shareholders.

AGM

Due to COVID-19 restrictions only two of our Directors attended the 2020 AGM and an average of 52% of the total issued share capital was voted across all resolutions. Shareholders were given the opportunity to send in questions in advance to be answered by the directors at the 2020 AGM on the Group's strategy and future outlook.

The 2020 AGM will be held on 2 June 2021. Separate resolutions are proposed on each item of business.

Website and shareholder communications

Further details on the Group, our business and key financial dates can be found on our corporate website: **www.gamingrealms.com**

Players

We always ensure that Responsible Gambling is at the heart of our game design process and have recently built a tool for players to set their own limits on stakes and features within games. We only contract with licensed partners, ensuring that the players are given a high level of protection through these operators. As our games are certified in highly regulated markets such as the UK and Sweden, the standards we have to provide for our games and RGS systems in terms of player protection is already set to an incredibly high level.

Customers

We are providing our customers with an increasing portfolio of unique games each year. We are making significant improvements to our platform in order to prepare for large scale growth.

We ensure our games and platform are fully tested before each new launch and adhere to any regulations required for them.

Trust is important to our customers and their end users, and our competitive customer offering is maintained through our unique Slingo IP, together with constant communication and emphasis on accounts management.

We have invested in account managers who work closely with our B2B partners to ensure good relationships and that we get maximum exposure for our content.

Employees

Employee engagement is critical to our future success. In a year of remote working, our employees have worked hard to support the business and sustain our culture.

Empowerment, career development, health and well-being and social responsibility are all areas our employees have told us they consider important in the workplace.

The Board gains an understanding of the views of our employees and the culture of the organisation through visits to our offices, one-to-one meetings, Board presentations and via assessment of office wide engagement scores and views.

We continue to monitor and develop our approach to performance management, to promote a culture of continuous improvement.

Suppliers

We have established long-term partnerships that complement our in-house expertise and have built a network of specialised partners within the industry and beyond.

We have an open, constructive and effective relationship with all suppliers through regular meetings which provide both parties the ability to feedback on successes, challenges and the future roadmap.

Our procurement policy includes a commitment to sustainable procurement and mitigation against the risk of modern slavery, anti-bribery and corruption, and data protection/privacy breaches across our supply chain. We aim to operate to the highest professional standards, treating our suppliers in a fair and reasonable manner and settling invoices promptly.

We regularly monitor the relationship and engagement approach with our third-party suppliers.

Regulators

We have an open and transparent dialogue with the regulatory and industry bodies that we work with.

The Group has a compliance team to ensure that all regulatory guidelines are met in its gambling operations. The Group also maintains close legal counsel to advise on any changes to the regulatory framework, as well as updates on territories currently outside the Group's activities.

We have spent 2020 working with the Regulators on our applications for supplier licenses in both Pennsylvania and Michigan.

Principal Risks and Uncertainties

The Board constantly monitors and assesses risks and uncertainties within the Group's trading activities. There will always be a level of risk that needs to be evaluated against the Group's potential returns in any activity.

Risk	How this risk is managed
Regulatory and legislation Online gambling and gaming are subject to a dynamic and complex regulatory regime. The Group now holds licences from the UK Gambling Commission, the New Jersey Division for Gaming Enforcement and a Recognition Notice for the Malta Gaming Authority, as well as the recently issued iGaming supplier licence with the Michigan Gaming Control Board. In December 2020, the UK Government launched a review of the Gambling Act 2005, with the aim to ensure it is "fit for the digital age". It is key to the Group to maintain compliance with all licences and any new ones that are required. These are critical to the continuing operation of the Group's gambling activities and also the production and supply of its unique content into both its operations and other third parties.	The Group has a compliance team to ensure that all regulatory guidelines are met in its gambling operations, including any potential changes arising from the UK Government's review of the Gambling Act 2005. The Group also maintains close legal counsel to advise on any changes to the regulatory framework, as well as updates on territories currently outside the Group's activities.
Taxation risk From the end of 2014, the gaming industry has been subject to point of consumption tax in relation to gambling activities within the UK. The rate increased to 21% in April 2019. There is a risk that increased gaming duty or taxes in the UK or other significant jurisdictions for the Group impacts revenues generated.	The licensing business operates in multiple jurisdictions reducing the impact of individual jurisdiction specific tax changes. The tax liability is borne by the operator.
Residency The Group has legal entities in several jurisdictions, including US, Canada, Malta and the UK.	The Group has undertaken a detailed transfer pricing exercise to ensure that revenue and profits are attributed correctly between the operating locations and continues to monitor taxation policies in all jurisdictions.
Competition The online and free to play gaming markets are highly competitive in North America and the UK. Failure to be able to hold a competitive advantage would result in attracting less players and have lower engagement on our apps and sites.	In following the Group's strategy of developing new unique IP and content, the Group feels well placed to be able to compete in the markets it operates in. It invests significant resource to be able to improve its development and operations. Diverse products and geographies also help to diversify the risk.
Brexit On 31 December 2020 the UK formally left the EU at the end of the Brexit transition period. Throughout the Brexit negotiations in 2020, the Group prepared for a worst-case scenario, being a "no deal" and its potential implications and uncertainties for the Group.	Prior to the UK-EU trade deal in December 2020, we had already taken steps to mitigate our risks by incorporating Maltese subsidiaries and we are currently applying for a full Maltese Gambling Authority (MGA) license. We continue to monitor for the risks and implications of Brexit, and the outcomes of the deal on our people and business. We leverage internal and external expertise to mitigate the risks and impacts on the business.

Risk	How this risk is managed
Time to market The Group invests highly in technology and bringing new products and games to market. A delay in time to market will result in a loss of competitive advantage, a loss in potential revenue and also increasing cost of development.	The Group has invested highly in having a dual product track to allow its products and games to be ready for both licensing and publishing exploitation in the same release. Extensive work is undergone on the planning stage to ensure that timeframes can be met, and products go live at the highest standard.
Dependence on technology As a provider of online gambling services, the Group's business is reliant on technology and advanced information systems. If the Group does not invest in the maintenance and further development of its technology systems, there is a risk that these systems may not cope with the needs of the business and may fail. The Group is reliant on the Internet and is vulnerable to activities such as distributed denial of service attacks, other forms of cyber-crime and a wide range of malicious viruses.	The Group continues to invest in its proprietary platform to ensure the necessary features and functionality meet partner needs. In addition, it has adopted industry standard protections to detect intrusions or other security breaches and implements preventative measures to protect against sabotage, hackers, viruses and other cyber-crime. The Group also holds relevant insurance to cover against this.
Dependence on third-party service providers The Group engages with a number of providers for cloud-based technology and remote deployment, as well as other important service providers. In the event that there is any interruption to the products or services provided by third parties, problems in supplying the products, one or more ceased to be provided or are provided on onerous terms to the Group, this may have an adverse effect on the Group's business and performance.	The Group uses reliable and well-known suppliers and ensures that contractual agreements with key partners offer adequate protection.
The team The ability to carry out the Groups strategy is dependent on the engagement of its senior management team, its technology, marketing and operations teams. The Group operates with a small team across 2 main locations. If key employees leave, there is a risk of loss of knowledge.	The Group continues to invest in its employees to ensure that it can attract, recruit and maintain a high-quality team. During the year, The Group has made a number of hires in key positions to ensure the team is appropriate for the next phase of the Company's growth.
Business disruption including COVID-19 Business disruptions may occur where the Group's workforce is unable to work or communicate, including due to pandemics such as COVID-19. Such disruptions affect the global economy and therefore our B2B operators and end users, if spending and confidence are significantly affected. The current COVID-19 pandemic may present further potential risks to the business.	The Group actively monitors developments which may affect its operations and the Directors have taken practical steps to mitigate disruption this is causing to the business. The Group's workforce is predominantly based in the UK, Canada and the US. We have successfully migrated to a home working model during the pandemic. Our colleagues' mental and physical well-being is being closely monitored and managed with training and support for all employees.

The 2020 Strategic Report on pages 1 to 11 has been approved by the Board of Directors.

On behalf of the Board:

Michael Buckley
Executive Chairman

26 April 2021

Board and Executive Management

Accomplished team

Board of Directors

MB

Michael Buckley
Executive Chairman

Michael Buckley was Chairman of Cashcade, founded in 2000. Cashcade became a leading UK-based online gaming company prior to its sale to PartyGaming plc in 2009 for an aggregate sale consideration of £96m for shareholders.

Michael has invested in and been Chairman of a number of public companies. These include SelecTV plc, a producer of comedy and comedy drama series for television such as Lovejoy, Birds of a Feather and The New Statesman. SelecTV invested in a consortium which in 1991 won the franchise to create Meridian Television of which Michael was a founding Director. He was also Chairman of Pacific Media plc, which invested in a number of internet backbone companies in Asia during the 1990s as well as creating a chain of movie theatres in South East Asia in partnership with United Artists Theatre Circuit Inc. Michael has held other public and private company directorships, having obtained a professional qualification as a chartered accountant in the UK.

MS

Mark Segal
Chief Financial Officer

Mark Segal joined Gaming Realms in May 2013 having left bwin.party as Finance Director for the bingo vertical. Previous to that Mark was Finance Director of Cashcade until it was acquired by PartyGaming plc in July 2009. Mark was responsible for the full finance function, including commercial negotiations, business intelligence and operational support in the business, and was involved in the sale to PartyGaming plc and acquisition by Cashcade of Independent Technology Ventures in July 2007. Prior to joining Cashcade, in May 2005, Mark spent five years at the accountancy firm Martin Greene Ravden, where he qualified as a chartered accountant in 2003.

JR

Jim Ryan
Non-Executive Director

Jim Ryan is the CEO of Pala Interactive, LLC a real money gambling operator and B2B platform provider focused on the US regulated online gaming market. Prior to Pala Interactive, Jim was the Co-CEO of bwin.party digital entertainment plc. He has spent the last 14 years of his career in leadership roles within the online gaming sector. Jim has led a number of the industry's largest merger and acquisition transactions which include the merger of PartyGaming plc and bwin, the acquisitions of Cashcade (Foxy Bingo) and the World Poker Tour and the sale of St Minver Limited to GTECH. Jim held senior posts at four publicly listed companies. In addition to his role of CEO of PartyGaming plc and Co-CEO of bwin.party digital entertainment plc he was President and Chief Executive Officer of Excapsa Software Inc. and as Chief Financial Officer of CryptoLogic Inc. and Chief Financial Officer of SXC Health Solutions Corp and was CEO of St. Minver Limited. Jim also held senior management posts at Procuron Inc., Metcan Information Technologies Inc. and Epson Canada Limited. Educated at Brock University (Goodman School of Business) in Ontario, Canada, where he obtained a business degree with first class honours, Jim obtained professional qualifications as a chartered accountant and certified public accountant from the Canadian Institute of Chartered Accountants.

MW
Mark Wilson
Non-Executive Director

Mark Wilson is a strategic adviser and investor in media, gaming and real estate. Mark has held multiple senior leadership positions, serving as CEO of Television Games Network, Executive Chairman of Music Choice International, President of Hubbard Enterprises, Managing Member of New Mexico Gaming LLC, and General Counsel and Corporate Secretary of Churchill Downs. He received a Juris Doctorate from the University of Louisville.

CA
Chris Ash
Non-Executive Director

Chris is one of the UK's leading entrepreneurs and experts on the gaming industry. In a career of over 18 years in the industry, Chris built and sold Ash Gaming Ltd to Playtech plc for £23m, which, at the time, was one of the leading gaming content developers in the UK.

Whilst at Playtech plc, Chris also ran the content aggregation business with 25 partner studios and assisted with M&A. Chris is now an investor in, and advisor to, a range of software businesses.

MB
Mark Blandford
Non-Executive Director

Mark was the owner of a traditional 'bricks and mortar' bookmaker's chain for over 15 years, then recognised the potential of the internet in the mid 1990's. In 1998 he founded Sportingbet.com, and in 2001 floated the company on AIM. Mark stepped down from the Board of Sportingbet in 2007 before its eventual sale in 2013 for £485m, with the assets being split between William Hill and GVC. In 2002, Mark was awarded AIM Entrepreneur of the Year.

After stepping down from the board of Sportingbet, Mark has become an active, successful and widely followed investor in the digital pay2play entertainment space.

Directors' Report

for the year ended 31 December 2020

The Directors present their Annual Report together with the audited financial statements for the year ended 31 December 2020.

Principal activities

The Group's principal activities during the year were that of content development and licensing to real money and social gaming customers in Europe and North America.

During the previous year, the Group also acted as an online casino operator and provided marketing services to real money gaming customers. The Group ceased involvement in these activities in July 2019 following the transaction to dispose of the Group's real money gaming assets. See Note 24 to the financial statements for full details.

These financial statements present the results of the Group for the year ended 31 December 2020.

Names of Directors and dates of any changes

The Directors who served during the year and to the date of this report were:

» Michael Buckley
» Mark Segal
» Jim Ryan
» Mark Wilson
» Chris Ash
» Mark Blandford
» Patrick Southon (resigned 11 February 2020)

Directors' and Officers' liability insurance

The Group has purchased and maintains appropriate insurance cover in respect of Directors' and Officers liabilities. The Group has also entered into qualifying third-party indemnity arrangements for the benefit of all its Directors, in a form and scope which comply with the requirements of the Companies Act 2006.

Results and dividends

The results for the year are set out on page 25. The Company will not be paying a dividend this year.

Post balance sheet events

Significant events impacting the Company that occurred after 31 December 2020 are disclosed in Note 30.

Going concern

Under Company law, the Company's Directors are required to consider whether it is appropriate to prepare the financial statements on the basis that the Group and Company are a going concern.

The Group meets its day-to-day working capital requirements from the cash flows generated by its trading activities and its available cash resources.

As disclosed further in Note 1 of the financial statements, whilst there are a number of risks to the Group's trading performance as summarised on page 10, the Group is confident of its ability to continue to meet its liabilities as they fall due. The Group's strategic forecasts, based on reasonable assumptions, indicate that the Group should be able to operate within the level of its currently available resources. After making enquiries and after consideration of the Group's existing operations, cash flow forecasts and assessment of business, regulatory and financing risks, the potential risks and the impacts of Brexit and COVID-19, the Directors have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future.

Accordingly, they continue to adopt the going concern basis in preparing the Annual report and Accounts.

Disclosure to auditors

The Directors who held office at the date of approval of this Directors' report confirm that, as far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that ought to have been taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

BDO LLP have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the Annual General Meeting in accordance with Section 489 of the Companies Act 2006.

Financial instruments

Details of the Group's financial risk management objectives and policies are included in Note 25 to the financial statements.

Research and development

The Group maintains its level of investment in software development activities. In the opinion of the Directors, continued investment in this area is essential to strengthen the Group's market position for future growth. During the year, the Group capitalised £2.4m (2019: £2.7m) of development costs (see Note 14).

During the year, the Group claimed Research and Development relief as per Note 12 to the financial statements.

Future developments

Future developments are discussed in the Executive Chairman's Statement on page 4.

The Directors report was approved on behalf of the Board on 26 April 2021 and signed on its behalf by

Michael Buckley
Executive Chairman

26 April 2021

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market ('AIM').

In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether they have been prepared in accordance with IFRSs in conformity with the requirements of the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring the Annual Report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the UK governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Corporate Governance

Chairman's Introduction

The Directors recognise the importance of good corporate governance and have chosen to apply the Quoted Companies Alliance Corporate Governance Code (the 'QCA Code'). The QCA Code was developed by the QCA in consultation with a number of significant institutional small company investors, as an alternative corporate governance code applicable to AIM companies. The underlying principle of the QCA Code is that "the purpose of good corporate governance is to ensure that the company is managed in an efficient, effective and entrepreneurial manner for the benefit of all shareholders over the longer term". The Group is not in compliance with all aspects of the Code due to the size and relative stage of development of the business, but remains committed to developing its compliance position over time as the business grows and matures. To see how the Company addresses the key governance principles defined in the QCA Code please refer to the Company's website and the below table. (The Company has not prepared an official Chairman's corporate governance statement).

The principles of the Quoted Company Alliance (QCA) Code

QCA Code Principle	What we do and why
1. Establish a strategy and business model which promote long-term value for shareholders	The Company develops, publishes and licenses mobile real money and social games. Through its market leading mobile platform and unique IP and brands, Gaming Realms is bringing together media, entertainment and gaming assets in new game formats. Our goal is to try to beat the market by investing in unique content and relationships with partners. We do that through: » Investing in unique mobile content and features on our gaming platform » Investing with discipline, because we are able to test new opportunities before we roll them out » Using data and technology to continuously improve. We are able to AB test all developments in games and platform and able to deploy only the best. » We generate revenue by licensing our unique gaming content and Slingo brand to online real money gaming operators, social publishing operators and land-based gambling games manufacturers. Key Challenges in implementing the strategy: » Regulatory framework is continually changing for Gambling which requires constant updates and development work per territory » Continuing to create best in class Games to licence to operators » Having technical resource to integrate the games onto Client sites
2. Seek to understand and meet shareholder needs and expectations	Please refer to our website for further details on how we comply with this requirement of the QCA code: https://www.gamingrealms.com/wp-content/uploads/Statement-of-Compliance-with-the-QCA-Corporate-Governance-Code-2020-02.pdf
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success	Please refer to our website for further details on how we comply with this requirement of the QCA code: https://www.gamingrealms.com/wp-content/uploads/Statement-of-Compliance-with-the-QCA-Corporate-Governance-Code-2020-02.pdf
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation	The Board recognises that maintaining sound controls and discipline is critical to managing the downside risks to our plan. To continue the improvement in this area we are adding to our existing controls department, expanding the remit of the compliance teams, and engaging with external advisors to ensure we remain compliant with regulations in all territories we will be working in and continued tight control on investment as we continue to develop the platform and the games content. Both the Board and senior managers are responsible for reviewing and evaluating risk and the Executive Directors meet at least monthly to review ongoing trading performance, discuss budgets and forecasts and new risks associated with ongoing trading.

QCA Code Principle	What we do and why
5. Maintain the Board as a well-functioning, balanced team led by the chair	The Board comprises the Executive Chairman, one Executive Director and four Non-Executive Directors. Michael Buckley, the Executive Chairman, is responsible for the running of the Board and is supported by Mark Segal, the Chief Financial Officer. Michael has executive responsibility for running the Group's business and implementing Group strategy. The Board has 4 Non-Executive Directors and is able to govern on an effective basis. The Directors considered to be independent are Jim Ryan, Mark Wilson, Mark Blandford and Chris Ash. Key Board activities this year included: » Input into the accelerating growth plan » Considered our financial and non-financial policies » Discussed strategic priorities, including expansion into new territories » Discussed the Group's capital structure and financial strategy » Reviewed the Group risk register, including Compliance » Reviewed feedback from shareholders post full and half year results The Board is supported by the Audit and Remuneration Committees. The Committees' roles and members are available on the Company's website. During the year there were 12 board meetings. Attendance records were:

Board member	Meetings attended
Michael Buckley	12
Mark Segal	12
Jim Ryan	12
Mark Wilson	12
Chris Ash	12
Mark Blandford	12
Patrick Southon*	0

* Patrick Southon, who resigned during the year, was not eligible to attend any meetings

QCA Code Principle	What we do and why
6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities	The Board is satisfied that, between the Directors, it has an effective and appropriate balance of skills and experience, including in the areas of international online gambling, international licensing, finance, innovation, and marketing. All Directors receive regular and timely information on the Group's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings. The business reports monthly on its headline performance against its agreed budget, and the Board reviews the monthly update on performance and any significant variances are reviewed at each meeting. The Board makes decisions regarding the appointment and removal of Directors, and there is a formal, rigorous and transparent procedure for appointments. Full details of the Board members and their experience and skills can be found on page 12 of the 2020 Annual Report or via the Investor link on Gaming Realms plc's website. The Board has not sought external advice on any significant matter, apart from advice sought in the normal course of business from our lawyers and tax compliance and other advisors. No external advisors have been engaged by the Board of Directors, except as noted above.

Corporate Governance
continued

QCA Code Principle	What we do and why
7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement	To date, the Board has not had a formal effectiveness review. The Chairman will be undertaking a rolling assessment of the individual contributions of each of the members of the team to ensure that: » Their contribution is relevant and effective » That they are committed » Where relevant, they have maintained their independence » That there is succession planning for Board members Going forward, appraisals will be carried out each year with all Executive Directors.
8. Promote a culture that is based on ethical values and behaviours	Gaming Realms takes its ethical values very seriously and, in particular, being in the gaming sector the areas of promoting responsible gaming and preventing underage gaming. Staff undergo regular training and processes are in place to ensure correct practice. The culture of the Group is to put the customer, supplier, shareholder and people first. We believe in long-term partnerships in all these areas and work to maintain strong relationships. There is a requirement to include in the Chairman's corporate governance statement what the Board does to monitor and promote a healthy corporate culture. We have not provided a Chairman's corporate governance statement but will look to publish such a statement in the future.
9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board	Please refer to our website for further details on how we comply with this requirement of the QCA code: https://www.gamingrealms.com/wp-content/uploads/Statement-of-Compliance-with-the-QCA-Corporate-Governance-Code-2020-02.pdf
10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	The Company communicates with shareholders through the Annual Report and Accounts, full-year and half-year announcements, the Annual General Meeting (AGM) and one-to-one meetings with large existing or potential new shareholders. The Board receives regular updates on the views of shareholders through briefings and reports from the Executive Chairman, Chief Financial Officer and the Company's brokers. The Company communicates with institutional investors through briefings with management. In addition, analysts' notes and brokers' briefings are reviewed to achieve a wide understanding of investors' views. The Company completes regular employee surveys to maintain an open dialogue with employees. There is a requirement to prepare both an Audit Committee report and a Remuneration report. These have not been done in this report but we will look to publish such reports in the future.

Roles of the Board, Chairman and Chief Financial Officer

The Board is responsible for the long-term success of the Company. There is a formal schedule of matters reserved to the Board. It is responsible for overall Group strategy; approval of major investments (whether Capex or Opex); approval of the annual and interim results; annual budgets; dividend policy; and Board structure. It monitors the exposure to key business risks and reviews the strategic direction of all trading subsidiaries, their annual budgets and their performance in relation to those budgets. There is a clear division of responsibility at the head of the Company. The Chairman is responsible for running the business of the Board and for ensuring appropriate strategic focus and direction. The Chairman and Chief Financial Officer are responsible for proposing the strategic focus to the Board, implementing it once it has been approved and overseeing the management of the Company through the Executive Team.

All Directors receive regular and timely information on the Group's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings. The business reports monthly on its headline performance against its agreed budget, and the Board reviews the monthly update on performance and any significant variances are reviewed at each meeting. Senior executives below Board level maybe invited to attend Board meetings where appropriate to present business updates. Board meetings throughout the year are held at the Company's Head Office in London.

Executive Team

The Executive Team consists of Michael Buckley and Mark Segal with input from the vertical directors and teams. They are responsible for formulation of the proposed strategic focus for submission to the Board, the day-to-day management of the Group's businesses and its overall trading, operational and financial performance in fulfilment of that strategy, as well as plans and budgets approved by the Board of Directors. It also manages and oversees key risks, management development and corporate responsibility programmes. The Executive team reports to the plc Board on issues, progress and recommendations for change. The controls applied by the Executive Team to financial and non-financial matters are set out earlier in this document, and the effectiveness of these controls is regularly reported to the Audit Committee and the Board.

Board committees

The Board is supported by the Audit and Remuneration committees. Each committee has access to such resources, information and advice as it deems necessary, at the cost of the Company, to enable the committee to discharge its duties.

The Audit Committee have the primary responsibility of monitoring the quality of internal controls and ensuring that the financial performance of the Group is properly measured and reported on. It will receive and review reports from the Group's management and external auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group. The Audit Committee will meet not less than twice in each financial year and will have unrestricted access to the Group's external auditors. The Audit Committee is chaired by Jim Ryan and also comprises Mark Blandford and Michael Buckley.

The Remuneration Committee review the performance of the executive directors and make recommendations to the Board on matters relating to their remuneration and terms of service. The Remuneration Committee also make recommendations to the Board on proposals for the granting of share options and other equity incentives pursuant to any employee share option scheme or equity incentive plans in operation from time to time. The Remuneration Committee meet as and when necessary. In exercising this role, the directors shall have regard to the recommendations put forward in the QCA Guidelines. The Remuneration Committee is chaired by Mark Wilson and comprises Jim Ryan and Michael Buckley.

The Company will continue review the corporate governance framework as the business grows.

Independent Auditor's Report to the Members of Gaming Realms plc

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards, International Financial Reporting Standards (IFRSs) in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Gaming Realms plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Changes in Equity, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and the ability to continue to adopt the going concern basis of accounting included:

- A critical evaluation of management's assessment of the entity's ability to continue as a going concern, covering the period of 12 months from the date of approval of the financial statements by;
- Evaluating the process management followed to make its assessment, including confirming the assessment and underlying projections were prepared by appropriate individuals with sufficient knowledge of the detailed figures as well as an understanding of the entities markets, strategies and risks.
- Understanding, challenging and corroborating the key assumptions included by management in their cash flow forecasts against prior year, our knowledge of the business and industry, and other areas of the audit.
- Assessing through enquiry with management, review of board minutes and review of external resources for any key future events that may have been omitted from cash flow forecasts and assessing the impact these could have on future cash flows and cash reserves.
- Assessing management's stress test scenario and sensitivities, including those in respect of Covid 19 considerations, and challenging whether other reasonably possible scenarios could occur and including where appropriate.
- Sensitised cashflow forecasts prepared by management included the preparation of a reverse stress test to analyse the level of reduction in trade that could be sustained before a covenant breach or liquidity event would be indicated. We assessed the assumptions and accuracy of these calculations.
- Considering the adequacy of the disclosures relating to Going Concern included within the annual report against the requirements of the accounting standards and consistency of the disclosure against the forecasts and going concern assessment.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage[1]	100% (2019: 100%) of Group profit before tax		
	100% (2019: 100%) of Group revenue		
	99% (2019: 97%) of Group total assets		
Key audit matters		**2020**	**2019**
	Revenue Recognition (Licensing revenue)	☐	☐
	Impairment of Intangible Assets	☐	☐
	Capitalisation of Development costs	☐	☐
	Going concern		☐
	Following review of the Group's performance in 2020 and Q1 21 to date, alongside industry and market trends, we did not consider going concern to be a key audit matter in relation to the 2020 audit.		
Materiality	Group financial statements as a whole		
	£136k (2019:£147k) based on 1.2% (2019: 1.2%) of Revenue		

1 These are areas which have been subject to a full scope audit by the Group engagement team

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

In determining the scope of our audit we considered the level of work to be performed at each component in order to ensure sufficient assurance was gained to allow us to express an opinion on the financial statements of the Group as a whole. We tailored the extent of the work to be performed on each component, which was performed by the Group audit team, based on our assessment of the risk of material misstatement at each component.

The Group consists of the parent company and seven subsidiaries. Four of the subsidiaries were considered to be significant components and along with the parent company were subject to a full scope audit by the Group audit team. Other components not considered significant were subject to desktop review by the Group audit team.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition – Licencing Revenue (with reference to notes 1 and 3)

Key audit matter	How the scope of our work responded to the key audit matter
The Group has a number of revenue streams, as summarised in note 3 to the financial statements. The details of the accounting policies applied during the period are disclosed in note 1 to the financial statements. Licencing revenues include significant revenues where contracts entered into in previous years span multiple accounting periods and involve IP or content licencing and/or minimum guarantees or uncertain future events. There are significant judgements and estimates are required by management in determining the performance obligations in these contracts, whether revenue should be recorded at a point in time or over a period of time and the amount of revenue to be recognised. Therefore, this was considered to be an area of focus for our audit.	We assessed whether the revenue recognition policies adopted by the Group was in accordance with applicable accounting standards. For a sample of key contracts: » We reviewed the terms to assess whether the revenue had been recognised in accordance with the Group's accounting policy and whether any other terms within the contract had any material accounting or disclosure implications; » We challenged the significant judgements such as the identification of performance obligations and the timing of recognition against the terms; and » Where applicable, we inspected supporting documentation of the satisfaction of the performance obligation. Where revenue recognition was based on uncertain future events, we considered the adequacy the disclosure of the remaining performance obligations and judgements in the financial statements.

Key observations
Based on the work performed we did not identify any instances which may suggest that revenue has not been recognised appropriately and in accordance with the Group's revenue recognition accounting policy.

Impairment of intangible assets (with reference to notes 2 and 14)

Key audit matter	How the scope of our work responded to the key audit matter
In accordance with applicable accounting standards, the Group monitors the carrying value of goodwill and other intangible assets for indications of impairment. The Group performs annual impairment reviews for all Cash Generating Units (CGUs). Impairment reviews also require significant judgement from management and are based on assumptions in respect of future profitability, growth rates and the discount rate to be applied to future cash flows. Therefore, this area is considered to be a key audit matter.	The audit team, which included our internal valuation specialists, challenged the appropriateness of the key assumptions used in the discounted cash flow models prepared by management, including the growth and discount rates applied. Our work was based on our assessment of the historical accuracy of the group's estimates in previous periods, our understanding of the commercial prospects of the CGUs, discussions with management surrounding the future plans for the operation, identification and analysis of changes in assumptions from prior periods and an assessment of the consistency of assumptions across the impairment reviews. We checked the mathematical accuracy of the impairment model and compliance of the methodology therein with the requirements of relevant accounting standards

Key observations
Based on the procedures performed, we consider management's judgements and the disclosures in the financial statements to be appropriate.

Independent Auditors' Report to the Members of Gaming Realms plc continued

Capitalisation of development costs (with reference to notes 1 and 14)

Key audit matter	How the scope of our work responded to the key audit matter
The Group has material expenditure on the internal development of intangible software assets. Such expenditure should only be capitalised when it qualifies under the criteria of applicable accounting standards. Due to the level of judgement required by management in determining costs that meet the criteria for capitalisation, this was considered to be an area of focus for our audit.	We assessed whether the capitalisation policies adopted by the Group comply with applicable accounting standards. We determined if the identified useful lives were in line with our expectations and that of comparable entities. We agreed a sample of costs capitalised in the year to source documentation to check that they met the capitalisation criteria of applicable accounting standards. We challenged management's project analysis to gain assurance that the projects capitalised met the criteria of applicable accounting standards by: » Agreeing the accuracy of time capitalised to related time cards and payroll records for a sample of projects; and » Inspecting evidence of the projects subsequent launch or intention to launch.

Key observations
Based on the work performed, we consider management's judgements to be appropriate and adequate.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2020 **£**	2019 £	**2020** **£**	2019 £
Materiality	**136,000**	147,000	**49,000**	139,000
Basis for determining materiality	Based on 1.2% of Group revenue	Based on 1.2% of Group revenue	Based on 1% of total assets of parent company	Based on 1% of total assets of parent company
Rationale for the benchmark applied	Revenue is a key KPI and a key focus area for investors, given that the Group is loss making and continues to be in its investment stage.		For the Parent Company an asset base has been used as there is no revenue generated within the entity.	
Performance materiality	**£102k**	£110k	**£37k**	£109k
Basis for determining performance materiality	75% of Group materiality	75% of Group materiality	75% of company materiality	75% of company materiality

Component materiality

We set materiality for each component of the Group based on a percentage between 20% and 75% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £7k to £91k (2019: £24k to £73.5k). In the audit of each component, we further applied performance materiality levels of 75% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £6.8k (2019: 6.5k). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report and accounts 2020, other than the financial statements and our auditor's report thereon. Our opinion on the 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. 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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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.

Other matters prescribed by the Companies Act 2006

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: » the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and » the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: » adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or » the Parent Company financial statements are not in agreement with the accounting records and returns; or » certain disclosures of Directors' remuneration specified by law are not made; or » we have not received all the information and explanations we require for our audit.

Independent Auditors' Report to the Members of Gaming Realms plc continued

Responsibilities of Directors

As explained more fully in the statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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 Group's and the Parent Company'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 the Parent Company 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 (UK) 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur, by meeting with management from across the Group to understand where they considered there was a susceptibility to fraud.
- Our audit planning identified fraud risks in relation to management override and revenue recognition. (Revenue recognition has been assessed as a Key Audit Matter above). We considered the processes and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how management monitors that processes and controls.
- We designed our audit procedures to detect irregularities, including fraud. Our procedures included journal entry testing, with a focus on large or unusual transactions based on our knowledge of the business; enquiries with the Legal and Compliance Director, Group Management; and focussed testing as referred to in the Key Audit Matters section above.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Parent Company's members those matters we are required to state to them in an auditor's 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Dominic Stammers (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

26 April 2021

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

Continuing	Note	2020 £	2019 £
Revenue	3	**11,403,486**	6,882,741
Marketing expenses		**(355,394)**	(212,473)
Operating expenses		**(2,232,032)**	(1,498,294)
Administrative expenses		**(5,971,970)**	(5,743,747)
Impairment of financial asset		**(449,422)**	(200,000)
Share option and related charges	27	**(372,344)**	(9,972)
Adjusted EBITDA – continuing	10	**2,939,522**	(255,116)
Impairment of financial asset	5	**(449,422)**	(200,000)
Restructuring expenses	5	**(467,776)**	(326,629)
EBITDA – continuing	10	**2,022,324**	(781,745)
Amortisation of intangible assets	14	**(2,817,043)**	(2,982,845)
Depreciation of property, plant and equipment	16	**(216,323)**	(204,714)
Impairment of property, plant and equipment	16	**(22,876)**	–
Finance expense	11	**(882,032)**	(842,518)
Finance income	11	**333,664**	146,661
Loss before tax		**(1,582,286)**	(4,665,161)
Tax credit	12	**48,229**	31,335
Loss for the financial year – continuing		**(1,534,057)**	(4,633,826)
Loss for the financial year – discontinued	24	**–**	(783,451)
Loss for the financial year – total		**(1,534,057)**	(5,417,277)
Other comprehensive income			
Items that will or may be reclassified to profit or loss:			
Exchange loss arising on translation of foreign operations		**(226,666)**	(305,671)
Total other comprehensive income		**(226,666)**	(305,671)
Total comprehensive income		**(1,760,723)**	(5,722,948)
Loss attributable to:			
Owners of the parent		**(1,527,964)**	(5,341,669)
Non-controlling interest		**(6,093)**	(75,608)
		(1,534,057)	(5,417,277)
Total comprehensive income attributable to:			
Owners of the parent		**(1,754,630)**	(5,647,340)
Non-controlling interest		**(6,093)**	(75,608)
		(1,760,723)	(5,722,948)

Loss per share		Pence	Pence
Basic and diluted – continuing	13	**(0.54)**	(1.60)
Basic and diluted – discontinued	13	**–**	(0.28)
Basic and diluted – total		**(0.54)**	(1.88)

* EBITDA and Adjusted EBITDA are non-GAAP measures used to represent the trading performance and results of the Group. EBITDA is defined as profit or loss before tax adjusted for finance income and expense, depreciation and amortisation. Adjusted EBITDA excludes those items the Group considers to be non-recurring or material in nature that may distort an understanding of financial performance or impair comparability. See Note 5.

The notes on pages 29 to 59 form part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2020

	Note	31 December 2020 £	31 December 2019 £
Non-current assets			
Intangible assets	14	**11,137,123**	11,702,553
Other investments	15	**401,291**	289,511
Property, plant and equipment	16	**560,793**	760,763
Finance lease asset	22	**–**	157,166
Other assets	17	**150,528**	150,885
		12,249,735	13,060,878
Current assets			
Trade and other receivables	18	**2,343,739**	1,850,863
Deferred consideration	19	**972,554**	1,298,663
Finance lease asset	22	**140,058**	126,354
Cash and cash equivalents	20	**2,105,167**	2,626,837
		5,561,518	5,902,717
Total assets		**17,811,253**	18,963,595
Current liabilities			
Trade and other payables	21	**1,943,714**	2,125,257
Lease liabilities	22	**343,859**	256,527
		2,287,573	2,381,784
Non-current liabilities			
Deferred tax liability	12	**320,913**	457,492
Other Creditors	23	**3,304,870**	3,126,673
Derivative liabilities	23	**627,000**	272,000
Lease liabilities	22	**340,175**	646,122
		4,592,958	4,502,287
Total liabilities		**6,880,531**	6,884,071
Net assets		**10,930,722**	12,079,524
Equity			
Share capital	26	**28,664,731**	28,442,874
Share premium		**87,258,166**	87,198,410
Merger reserve		**(67,673,657)**	(67,673,657)
Foreign exchange reserve		**1,379,116**	1,605,782
Retained earnings		**(38,768,257)**	(37,570,601)
Total equity attributable to owners of the parent		**10,860,099**	12,002,808
Non-controlling interest		**70,623**	76,716
Total equity		**10,930,722**	12,079,524

The notes on pages 29 to 59 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 26 April 2021 and were signed on its behalf by:

Michael Buckley
Executive Chairman

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Note	2020 £	2019 £
Cash flows from operating activities			
Loss for the financial year		**(1,534,057)**	(5,417,277)
Adjustments for:			
Depreciation of property, plant and equipment	16	**216,323**	211,055
Impairment of property, plant and equipment	16	**22,876**	–
Amortisation of intangible fixed assets	14	**2,817,043**	2,982,845
Impairment	5	**449,422**	200,000
Finance income	11	**(333,664)**	(420,512)
Finance expense	11	**882,032**	842,518
Income tax credit	12	**(48,229)**	(31,335)
Exchange differences		**(54,940)**	41,336
(Profit)/loss on disposal of property, plant and equipment		**(1,000)**	28,081
Profit on disposal of assets	24	**–**	(683,323)
Share of loss of associate	24	**–**	157,307
Share based payment expense	27	**330,308**	9,972
(Increase)/decrease in trade and other receivables		**(463,237)**	1,330,674
Decrease in trade and other payables		**(233,543)**	(803,124)
Increase in other assets		**–**	(18,308)
Net cash flows from/(used in) operating activities before taxation		**2,049,334**	(1,570,091)
Net tax (paid)/received in the year		**(33,717)**	73,424
Net cash flows from/(used in) operating activities		**2,015,617**	(1,496,667)
Investing activities			
Acquisition of property, plant and equipment	16	**(30,143)**	(106,583)
Capitalised development costs	14	**(2,440,559)**	(2,680,289)
Proceeds from disposal of assets, net of cash disposed of	24	**–**	6,135,529
Costs related to asset disposal	24	**–**	(765,867)
Proceeds from disposal of property, plant and equipment		**1,000**	–
Interest received	11	**47**	3,705
Finance lease asset – sublease receipts	22	**163,324**	120,507
Net cash (used in)/from investing activities		**(2,306,331)**	2,707,002
Financing activities			
Receipt of deferred consideration	19	**–**	385,000
Principal paid on lease liability	22	**(300,086)**	(252,376)
Issue of share capital on exercise of options	26	**281,613**	–
Interest paid		**(225,516)**	(322,772)
Net cash used in financing activities		**(243,989)**	(190,148)
Net (decrease)/increase in cash and cash equivalents		**(534,703)**	1,020,187
Cash and cash equivalents at beginning of year	20	**2,608,455**	1,550,141
Exchange gain on cash and cash equivalents		**13,033**	38,127
Cash and cash equivalents at end of year	20	**2,086,785**	2,608,455

Significant non-cash transactions are disclosed in Note 23 and 24.

The notes on pages 29 to 59 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Share capital £	Share premium £	Merger reserve £	Foreign Exchange Reserve £	Retained earnings £	Total to equity holders of parents £	Non controlling interest £	Total equity £
1 January 2019	**28,442,874**	**87,198,410**	**(67,673,657)**	**1,911,453**	**(32,238,904)**	**17,640,176**	**152,324**	**17,792,500**
Loss for the year	–	–	–	–	(5,341,669)	(5,341,669)	(75,608)	(5,417,277)
Other comprehensive income	–	–	–	(305,671)	–	(305,671)	–	(305,671)
Total comprehensive income for the year	–	–	–	(305,671)	(5,341,669)	(5,647,340)	(75,608)	(5,722,948)
Contributions by and distributions to owners								
Share-based payment on share options (Note 27)	–	–	–	–	9,972	9,972	–	9,972
31 December 2019	**28,442,874**	**87,198,410**	**(67,673,657)**	**1,605,782**	**(37,570,601)**	**12,002,808**	**76,716**	**12,079,524**
1 January 2020	**28,442,874**	**87,198,410**	**(67,673,657)**	**1,605,782**	**(37,570,601)**	**12,002,808**	**76,716**	**12,079,524**
Loss for the year	–	–	–	–	(1,527,964)	(1,527,964)	(6,093)	(1,534,057)
Other comprehensive income	–	–	–	(226,666)	–	(226,666)	–	(226,666)
Total comprehensive income for the year	–	–	–	(226,666)	(1,527,964)	(1,754,630)	(6,093)	(1,760,723)
Contributions by and distributions to owners								
Share-based payment on share options (Note 27)	–	–	–	–	330,308	330,308	–	330,308
Exercise of options (Note 26)	221,857	59,756	–	–	–	281,613	–	281,613
31 December 2020	**28,664,731**	**87,258,166**	**(67,673,657)**	**1,379,116**	**(38,768,257)**	**10,860,099**	**70,623**	**10,930,722**

The notes on pages 29 to 59 form part of these financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

1. Accounting policies

General information

Gaming Realms Plc (the "Company") and its subsidiaries (together the "Group").

The Company is admitted to trading on the Alternative Investment Market (AIM) of the London Stock Exchange. It is incorporated and domiciled in the UK. The address of its registered office is Two Valentine Place, London, SE1 8QH.

The consolidated financial statements are presented in British Pounds Sterling.

Basis of preparation

The Group financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The Group financial statements have been prepared on the historical cost basis, except where certain assets or liabilities are held at amortised cost or at fair value as described in the accounting policies below.

Basis of consolidation

The Group financial statements incorporate the financial statements of the Company and entities controlled by the Company (subsidiaries). Control is achieved when the Company 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 results of subsidiaries acquired or disposed of during the period are included in the Consolidated Statement of Comprehensive Income from the effective date of acquisition up to the effective date of disposal. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Going concern

The Group meets its day-to-day working capital requirements from the cash flows generated by its trading activities and its available cash resources.

The Group prepares cash flow forecasts and re-forecasts at least bi-annually as part of the business planning process. The Directors have reviewed forecast cash flows for the period to December 2023 and consider that the Group will have sufficient cash resources available to meet its liabilities as they fall due for at least the forthcoming 12 months from the date of the approval of the financial statements. Given the economic uncertainty resulting from the ongoing COVID-19 pandemic, these cash flow forecasts have been subject to short- and medium-term stress testing, scenario modelling and sensitivity analysis through to June 2022, which the Directors consider sufficiently robust. Scenarios considered include but are not limited to; failure to expand into new US states during the forecast period, non-receipt of deferred consideration due to the Group at the year-end and a significant reduction in trading cash flows compared to Group forecasts. The Directors note that in an extreme scenario, the Group also has the option to rationalise its cost base including cuts to discretionary capital, marketing and overhead expenditure. The Directors consider that the required level of change to the Group's forecast cash flows to give a rise to a material risk over going concern are sufficiently remote.

Subsequent to the year-end, on 1 April 2021 the Group received £1.0m from River in respect of the deferred consideration receivable (see Note 19), certain other receivable balances and full and final settlement of all legal proceedings and out of court disputes between the parties. The Directors note that aside from ongoing lease liabilities, the Group has no debt contractually repayable before 31 December 2022 (see Note 23).

Accordingly, these financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Group and the Company will realise its assets and discharge its liabilities in the normal course of business. Management has carried out an assessment of the going concern assumption and has concluded that the Group and the Company will generate sufficient cash and cash equivalents to continue operating for the next 12 months.

Adoption of new and revised standards

New standards that have been adopted by the Group for the year ended 31 December 2020, but have not had a significant impact on the Group are:

» Definition of a Business (Amendments to IFRS 3);
» Interest Rate Benchmark Reform – IBOR 'phase 2' (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16);
» COVID-19-Related Rent Concessions (Amendments to IFRS 16);
» IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Disclosure Initiative – Definition of Material); and
» Revisions to the Conceptual Framework for Financial Reporting.

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Group has decided not to adopt early.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020 continued

1. Accounting policies (continued)

The following amendments are effective for the period beginning 1 January 2022:

» Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);

» Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);

» Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and

» References to Conceptual Framework (Amendments to IFRS 3).

The Group is currently assessing the impact of these new accounting standards and amendments.

Business combinations

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired, including separately identifiable intangible assets, is recognised as goodwill. Any discount on acquisition, i.e. where the cost of acquisition is below the fair value of the identifiable net assets acquired, is credited to the Statement of Comprehensive Income in the period of acquisition.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities, including separately identifiable intangible assets, of a subsidiary, associate or jointly controlled entity at the date of acquisition.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated impairment. On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Cost comprises the fair value of assets given, liabilities assumed and equity instruments issued, plus the amount of any non-controlling interests in the acquiree plus, if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree.

Contingent consideration is initially recognised at fair value on the date of acquisition and subsequently remeasured subsequently through profit or loss.

Goodwill is capitalised as an intangible asset with any impairment in carrying value being charged to the consolidated statement of comprehensive income. Where the fair value of identifiable assets, liabilities and contingent liabilities exceed the fair value of consideration paid, the excess is credited in full to the consolidated statement of comprehensive income on the acquisition date.

Adjusted EBITDA

The Board of Directors believes that in order to best represent the trading performance and results of the Group, the reported numbers should exclude certain one-off items. The Group therefore presents adjusted results, as described in Note 5, which differ from statutory results due to the exclusion of these items.

Management regularly uses the adjusted financial measures internally to understand, manage and evaluate the business and make operating decisions. These adjusted measures are among the primary factors management uses in planning for and forecasting future periods.

EBITDA is a non-GAAP Company specific measure defined as profit or loss before tax adjusted for finance income and expense, depreciation and amortisation.

Adjusted EBITDA excludes non-recurring material items which are outside the normal scope of the Group's ordinary activities which the directors consider to be one-off or material in nature that should be brought to the reader's attention in understanding the Group's financial performance. The adjusting items are separately disclosed in order to enhance the reader's understanding of the Group's profitability and cash flow generation.

Adjusting items include costs arising from a fundamental restructuring of the Group's operations, relocation costs, impairment of financial assets and sales proceeds on business asset disposals.

Revenue

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer.

Performance obligations and timing of revenue recognition

Revenue comprises licensing of content and IP, Social Publishing and net gaming revenue derived from real money gaming (only applicable to discontinued operations in the comparative year).

The following is a description of the principal activities – separated by reportable segments – from which the Group generates its revenue. For more detailed information about reportable segments see note 10.

The Group accounts for revenue as principal where it is the licenced entity in the provision of gaming services to end users and controls the service provision. Where the Group is considered to be acting as agent in the service provision, revenues are recognised net.

Licensing revenue
Licensing revenue derives from contractual relationships for the right to use of intellectual property and the amount of consideration receivable is dependent upon the value of sales the customer makes using the IP.

For content licensing, revenue is sales-based dependent on the activity of the Group's customers. Revenue is recognised as the usage occurs by the customer (under the IFRS 15 royalty exception).

Any minimum guarantees are recognised at a point in time when the control of the licence is passed to the customer.

For brand licensing, revenue is recognised at a point in time when there are no further monetary or financial obligations to be fulfilled by the licensor. However, where the Group has ongoing obligations, licensing fees are further analysed for the contractual service provision and recognised either at point in time or over time, applying the royalty exception as applicable.

Determining the transaction price
Most of the Group's revenue is derived from fixed price contracts and therefore the amount of revenue to be earned from each contract is determined by reference to those fixed prices and rates.

Contracts where the transaction price is not fixed are royalties which are accounted for in accordance with the usage-based royalty exception in IFRS 15.

Allocating amounts to performance obligations
For most contracts, there is a fixed amount for each wager or credit purchased and only one performance obligation, being the honouring of the outcome of the wager/purchase. Therefore, there is no judgement involved in allocating the contract price.

Licensing contracts work on a sales-based royalty. Therefore, there is no judgement involved in allocating the contract price.

Social publishing revenue
Social publishing revenue derives from the purchase of credits and awards on social gaming sites. In addition, revenue is generated from in app advertisements.

Revenue is recognised at a point in time when the user credit has been purchased as there is no further service to be delivered and credits are non-refundable. In app advertising revenue is recognised at a point in time when the advertisement is displayed, or offer has been completed by the customer and confirmed by third-party reports.

Net gaming revenue derived from real money gaming (relevant only for discontinued operations)
Net gaming revenue derived from online gambling operations is defined as the difference between the amounts of bets placed by the players less amounts won by players. It is stated after deduction of bonuses, jackpots and prizes granted to players.

Revenue is recognised at a point in time when the player activity is concluded.

Leases

Group as a lessee
All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the group if it is reasonable certain to assess that option; and
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset (typically leasehold dilapidations).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020 continued

1. Accounting policies (continued)

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

Group as a lessor

The Group has one leased property which is also sublet. For the sublet property, the Group has recognised a lease receivable equal to the net investment in the sublease. This is based on the present value of future lease payments due from the tenant. The lease liability is not impacted. Payments by the tenant reduce the lease receivable and finance income is recognised on the unwind of the lease receivable.

The sublease covers the total lease commitment entered into by the Group. There are no variable lease payments.

Foreign currency

The financial information of the Group is prepared in British Pounds Sterling, which is the currency that best reflects the economic substance of the underlying events and circumstances relevant to the Group. The Group has subsidiaries with functional currencies of British Pounds Sterling, U.S. Dollars, Euros and Canadian Dollars.

Transactions entered into by Group entities in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the reporting date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are recognised immediately in the statement of comprehensive income. Foreign exchange differences arising from financing transactions are recognised in finance income/loss, differences arising from trading balances are recognised in administration costs.

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations, including goodwill arising on the acquisition of those operations, are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income and accumulated in the foreign exchange reserve.

Exchange differences recognised as profit or loss in Group entities' separate financial statements on the translation of long-term monetary items forming part of the Parent company's net investment in the overseas operation concerned are reclassified to other comprehensive income and accumulated in the foreign exchange reserve on consolidation.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are transferred to the consolidated statement of comprehensive income as part of the profit or loss on disposal.

Impairment of non-financial assets

Impairment tests on goodwill and other intangible assets with indefinite useful economic lives are undertaken annually. Other non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ("CGUs"). Goodwill is allocated on initial recognition to each of the Group's CGUs that are expected to benefit from a business combination that gives rise to the goodwill.

Impairment charges are included in the income statement, except to the extent they reverse gains previously recognised in other comprehensive income. An impairment loss recognised for goodwill is not reversed.

Discontinued Operations

The results of operations disposed of or classified as held for sale during the year are included in the consolidated statement of comprehensive income up to the date of disposal. A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, that has been disposed of, has been abandoned or that meets the criteria to be classified as held for sale.

Discontinued operations are presented in the consolidated statement of comprehensive income as a single line which comprises the post-tax profit or loss of the discontinued operation along with the post-tax gain or loss recognised on the re-measurement to fair value less costs to sell or on disposal of the assets or disposal groups constituting discontinued operations.

Interests in associates

Where the Group has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognised in the consolidated statement of financial position at cost. Where the interest in the associate arises as a result of the disposal of a subsidiary, the amount recognised as cost is the fair value of the interest retained in the associate.

Subsequently associates are accounted for using the equity method, where the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the consolidated statement of profit and loss and other comprehensive income (except for losses in excess of the Group's investment in the associate unless there is an obligation to make good those losses).

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is an indicator that the investment in an associate may have been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and – for the purpose of the statement of cash flows – bank overdrafts. Bank overdrafts are shown within trade and other payables in current liabilities on the consolidated statement of financial position.

Non-controlling interests

Non-controlling interest is initially recognised at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. The total comprehensive income of non-wholly owned subsidiaries is attributed to owners of the parent and to the non-controlling interests in proportion to their relative ownership interests.

Share-based payments

Where equity-settled share options are awarded to employees, the fair value of the options at the date of grant is charged to the consolidated statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where equity instruments are granted to persons other than employees, the consolidated statement of comprehensive income is charged with the fair value of goods and services received.

The fair value of share options issued without market-based vesting conditions is measured by the application of the Black-Scholes option pricing model by reference to the grant date of the options. The fair value of share options issued with market-based vesting conditions is measured by use of the Monte Carlo method.

Externally acquired intangible assets

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives.

Intangible assets are recognised on business combinations if they are separable from the acquired entity or arise from other contractual/legal rights. The amounts ascribed to such intangibles are arrived at by using appropriate valuation techniques (see section related to critical estimates and judgements below).

Internally generated intangible assets (development costs)

Expenditure on internally developed products is capitalised if it can be demonstrated that:

» it is technically feasible to develop the product for it to be sold;
» adequate resources are available to complete the development;
» there is an intention to complete and sell the product;
» the Group is able to sell the product;
» sale of the product will generate future economic benefits; and
» expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods the Group expects to benefit from selling the products developed.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in the consolidated statement of comprehensive income as incurred.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020 continued

1. Accounting policies (continued)

The significant intangibles recognised by the Group, their useful economic lives and the methods used to determine the cost of intangibles acquired in a business combination are as follows:

Intangible asset	Useful economic life
Customer databases	1-2 years
Development costs	3-5 years
Intellectual property	8 years
Domain names	2-3 years
Software	3-5 years

Property, plant and equipment

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost less estimated residual value, of each asset evenly over its expected useful life as follows:

Office, furniture and equipment	20% per annum straight-line
Computer equipment	33% per annum straight-line
Leasehold improvements	Over the life of the lease

Reserves

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

Reserve	Description and purpose
Share capital	Nominal value of shares subscribed for.
Share premium	Amount subscribed for share capital in excess of nominal value.
Merger reserve	Adjustments arising on the reverse transaction and the excess of the fair value over nominal value for shares issued in business combinations qualifying for merger relief under the Companies Act 2006.
Retained earnings	All other net gains and losses and transactions with owners not recognised elsewhere.
Foreign exchange reserve	Gains/losses arising on retranslating the net assets of overseas operations into sterling.

Research and development tax

Research and development taxation relief is recognised once management considers it probable that any amount claimable will be received.

Deferred taxation

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

- The initial recognition of goodwill
- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit
- Investments in subsidiaries and jointly controlled entities where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

2. Critical accounting estimates and judgements

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions 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.

Estimates

(a) Impairment of goodwill and other intangible assets

Goodwill and other intangible assets are reviewed for impairment and their values are written down on the basis of the Group's expectations of future economic benefits expected to be received. Any process which attempts to estimate future outcomes to determine the recoverable amount is subject to uncertainty. The recoverable amount is determined based on the lower of value in use calculations, which require the estimate of future cash flows and the choice of discount rate to calculate the present value of the cash flows. Calculations are based on management's forecasts for the period, and past experience of the same or similar assets. Where it is believed that the estimation uncertainty can give rise to material differences in asset carrying values, this will be stated in the relevant notes to the financial statements. For both CGU's impairment reviews were performed over, a reasonably possible change to an input to the impairment review calculation (such as WACC, long term growth rate, reduction in medium term cash flows) would not result in an impairment. See Note 14.

(b) Amortisation of development costs

Capitalised development costs are subject to amortisation over the estimated useful life and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The estimated useful life of these assets is based on management's estimates of the period over which the assets are expected to generate revenue and are periodically reviewed to confirm they are still appropriate.

(c) Fair Value Measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

» Level 1: Quoted prices in active markets for identical items (unadjusted)
» Level 2: Observable direct or indirect inputs other than Level 1 inputs
» Level 3: Unobservable inputs (i.e. not derived from market data)

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures a number of items at fair value:

» Other investments (Note 15)
» Financial instruments (Note 25)

For more detailed information in relation to the fair value measurement and sensitivities of the items above, please refer to the applicable notes.

(d) Arrangement with Gamesys Group plc

The arrangements entered into with Gamesys Group plc in 2017 are complex. The initial recognition involves estimating the fair value of the derivative liability, and estimating the initial carrying value of the loan liability using a suitable discount rate. The values computed reflected the directors' expectations of the timing and quantum of expected cash outflows on the loan and the probability of the conversion option being exercised. If these estimates change this will have an impact on the carrying amounts of the conversion option and the loan. The 'free services' revenue element of the agreement is designated as the residual value on initial recognition. See Note 23 for further detail.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020 continued

2. Critical accounting estimates and judgements (continued)

(e) Determining the discount rate of a lease liability under IFRS 16

The Group discounts the lease payments using its incremental borrowing rate. The possible effects of a change in the incremental borrowing rate are an increase or decrease in the lease liability, right-of-use asset and depreciation and financing expenses recognised.

(f) Impairment of financial assets and expected credit losses

Loss allowances for financial assets are based on assumptions about the risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculations based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. See Note 18 for further detail.

Judgements

(a) Revenue recognition

Certain brand licensing agreements involve judgement over the nature, timing and extent of the Group's activities in fulfilling contractual performance obligations. This judgement therefore impacts the timing of revenues recognised for such agreements. On a contract-by-contract basis, the Group assesses its expected ongoing commitments to fulfil its contractual obligations. Where an agreement provides the right for a customer to use the Group's intellectual property and there are no significant ongoing commitments for the Group to satisfy, the performance obligation is considered to be satisfied at a point in time, when the associated revenues are recognised. However, where there is expected to be significant ongoing commitment for the Group, revenues are recognised over time with the satisfaction of the performance obligations.

(b) Capitalisation of development costs

The identification of development costs that meet the criteria for capitalisation is dependent on management's judgement and knowledge of the work done. Development costs of gaming software platforms are separately identified. Key judgements relate to the separately identified projects, the expected future benefits and the useful economic life and are based on the information available at each period end. Economic success of any development is assessed on a reasonable basis but remains uncertain at the time of recognition. Development costs capitalised total £2.4m (2019: £2.7m). See Note 14.

(c) Determining the lease term under IFRS 16

In order to determine the lease term, the Group takes into consideration the period over which the lease is non-cancellable, including renewal options that it is reasonably certain it will exercise and/or termination options that it is reasonably certain it will not exercise. The possible effects are an increase or decrease in the initial measurement of a right of use asset and lease liability and in depreciation and financing expenses in subsequent periods.

(d) Deferred tax

Deferred tax assets and liabilities are recognised for temporary differences and for tax loss carry-forwards. The assessment of temporary differences and tax loss carry-forwards is based on management's estimates of future taxable profits against which the temporary differences and loss carry-forwards may be utilised.

The key judgement is the Group not recognising a deferred tax asset in respect of their losses as there is no track record of taxable profits at this time. Deferred tax assets will be recognised when the Group has established a track record of expected future taxable profit. The total unrecognised deferred tax asset was £7.0m (2019: £6.4m). See Note 12.

(e) Arrangement with Gamesys Group plc

The agreement with Gamesys Group plc allows for early settlement of the loan if a change of control occurs. The directors' have used their judgement in order to determine that the probability of a change in control is low. Had this judgement been different, the Group may be liable, if the option is exercised, to make an additional cash payment to Gamesys Group plc earlier than the end of the term. See Note 23 for more detail.

3. Revenue from contracts with customers

Disaggregation of revenue

The Group has disaggregated revenue into various categories in the following table which is intended to:

» depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic date; and
» enable users to understand the relationship with revenue segment information provided in note 10.

Revenue from discontinued RMG operations (see Note 24) in the prior year all arose from the UK, including Channel Islands and was direct to consumers (B2C) recognised at a point in time. There were no remaining performance obligations unsatisfied at the previous year end.

B2B licensing revenue by primary geographical market is split according to the location of the operator.

In 2020 there was one customer (2019: no customers) who individually accounted for more than 10% of total revenue of the Group. Total revenue from this customer in 2020 was £1,689,358.

2020 revenue	**Licensing £**	**Social publishing £**	**Other £**	**Intra-group £**	**Total £**
Primary geographical markets					
UK (including Channel Islands)	467,041	–	–	–	467,041
USA	2,385,377	3,885,971	2,401	–	6,273,749
Isle of Man	2,511,803	–	–	–	2,511,803
Rest of the World	2,150,893	–	–	–	2,150,893
	7,515,114	**3,885,971**	**2,401**	**–**	**11,403,486**
Contract counterparties					
Direct to consumers (B2C)	–	3,885,971	–	–	3,869,763
B2B	7,515,114	–	2,401	–	7,533,723
	7,515,114	**3,885,971**	**2,401**	**–**	**11,403,486**
Timing of transfer of goods and services					
Point in time	7,194,499	3,885,971	2,401	–	11,082,871
Over time	320,615	–	–	–	320,615
	7,515,114	**3,885,971**	**2,401**	**–**	**11,403,486**

2019 continuing revenue	Licensing £	Social publishing £	Other £	Intra-group £	Total £
Primary geographical markets					
UK (including Channel Islands)	455,727	–	–	(128,755)	326,972
USA	1,659,667	2,758,475	6,148	–	4,424,290
Isle of Man	1,450,318	–	–	–	1,450,318
Rest of the World	581,145	–	100,016	–	681,161
	4,146,857	**2,758,475**	**106,164**	**(128,755)**	**6,882,741**
Contract counterparties					
Direct to consumers (B2C)	–	2,758,475	–	–	2,758,475
B2B	4,146,857	–	106,164	(128,755)	4,124,266
	4,146,857	**2,758,475**	**106,164**	**(128,755)**	**6,882,741**
Timing of transfer of goods and services					
Point in time	3,806,415	2,758,475	106,164	(128,755)	6,542,299
Over time	340,442	–	–	–	340,442
	4,146,857	**2,758,475**	**106,164**	**(128,755)**	**6,882,741**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020 continued

3. Revenue from contracts with customers (continued)

Remaining performance Obligations

The vast majority of the Group's contracts are for services that will be provided within the next 12 months. Certain licence contracts have been entered into for which both:

- the original contractual period was greater than 12 months; and
- the Group's right to consideration does not correspond directly with the performance.

The amount of revenue that will be recognised in future periods on these contracts when those remaining performance obligations will be satisfied is:

	2020 £	2019 £
Next 12 months	**80,154**	320,615
12-24 months	**–**	80,154
24+ months	**–**	–
	80,154	400,769

4. Expenses by nature

Loss before interest and tax has been arrived at after charging/(crediting):

	Note	**2020 £**	2019 £
Employee benefit expenses	9	**2,941,789**	3,868,943
License and platform fees		**2,173,601**	2,262,400
IT software and hosting costs		**750,168**	1,126,047
Legal, professional and consulting		**1,018,494**	1,146,763
Share option and related charges	27	**372,344**	9,972
Depreciation of property, plant and equipment	16	**216,323**	204,714
Amortisation of intangible assets	14	**2,817,043**	2,982,845
Foreign exchange (gain)/loss		**(19,595)**	51,261

5. Adjusted EBITDA

EBITDA and adjusted EBITDA are non-GAAP measures and exclude exceptional items, depreciation, and amortisation. Exceptional items are those items the Group considers to be non-recurring or material in nature that may distort an understanding of financial performance or impair comparability.

Adjusted EBITDA is stated before exceptional items as follows:

	2020 £	2019 £
Impairment of financial asset	**(449,422)**	(200,000)
Restructuring costs	**(467,776)**	(326,629)
Adjusting items	**(917,198)**	(526,629)

Restructuring costs

Restructuring costs of £0.5m in 2020 relate to a management restructure during the year, following the change in focus to the licensing business. Restructuring costs of £0.3m in 2019 related to redundancy and relocation costs.

Impairment of financial asset

In accordance with IFRS 9, management have performed an expected credit loss review over its deferred consideration and trade and other receivable balances. As a result of this review, an impairment provision of £449,422 (2019: £200,000) has been recorded in the income statement. The current year provision is split between deferred consideration (£527,446) (see Note 19) and other receivables (credit of £78,024).

6. Auditor's remuneration

During the year the Group obtained the following services from the Company's auditor:

	2020 £	2019 £
Fees payable to the Company's auditor for the audit of the Group's annual accounts	**25,000**	25,000
Fees payable to the Company's auditor for the audit of the subsidiary financial statements	**57,758**	70,900
Fees payable to the Company's auditor for the review of the interim statement	**3,500**	3,588
Fees payable to the Company's auditor for other services:		
– Tax compliance services	**29,286**	30,197
– Tax advisory services	**–**	22,938
– Other	**21,547**	–
	137,091	152,623

7. Key management personnel remuneration

During the year the Group paid the following remuneration to the key management personnel (which include directors) of the consolidated entity:

	2020 £	2019 £
Short-term benefits of key management personnel	**1,062,704**	1,327,969
Post-employment benefits of key management personnel	**36,112**	41,065
Share-based benefits of key management personnel	**267,518**	3,551
Compensation for loss of office	**309,722**	–
	1,676,056	1,372,585

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020 continued

8. Directors' remuneration

The following table presents the Directors' remuneration of the Company for the year ended 31 December 2020.

	Salary and fees £	Benefits £	Loss of office £	2020 Total £	2019 Total £
Michael Buckley	**198,333**	**–**	**–**	**198,333**	150,000
Mark Segal	**241,667**	**20,000**	**–**	**261,667**	200,781
Jim Ryan	**40,000**	**–**	**–**	**40,000**	40,000
Mark Wilson	**40,000**	**–**	**–**	**40,000**	40,000
Chris Ash	**40,000**	**–**	**–**	**40,000**	23,333
Mark Blandford	**40,000**	**–**	**–**	**40,000**	8,333
Patrick Southon	**23,974**	**831**	**234,097**	**258,902**	239,596
Simon Collins	**–**	**–**	**–**	**–**	31,385
	623,974	**20,831**	**234,097**	**878,902**	733,428

The remuneration for Michael Buckley (including amounts paid to third parties, see Note 28) includes repayment of expenses incurred wholly for the benefit of Gaming Realms plc of £nil (2019: £15,000).

The Directors' ordinary shares in the Company, were as follows:

	2020 No. of shares	2019 No. of shares
Michael Buckley	**26,500,000**	27,000,000
Mark Segal	**740,761**	740,761
Jim Ryan	**1,153,845**	1,384,615
Mark Wilson	**1,153,845**	384,615
Chris Ash	**1,965,680**	1,965,680
Mark Blandford	**10,000,000**	10,000,000
Patrick Southon	**N/A**	12,417,319
	41,514,131	53,892,990

Patrick Southon resigned as a Director on 11 February 2020, so his holding of ordinary shares in the Company as at 31 December 2020 has not been disclosed above.

Directors' interests in long-term incentive plans

The Directors' interests in share options, over ordinary shares in the Company, were as follows:

	Options at 1 Jan 2020	Options granted	Options exercised	Options lapsed	Options at 31 Dec 2020	Exercise price	Hurdle price	Date of grant
Michael Buckley [1]	5,769,230	–	–	(5,769,230)	–	£0.01	£0.20	01-Aug-13
Michael Buckley [3]	–	3,000,000	–	–	3,000,000	£0.10	–	01-Jun-20
Michael Buckley [4]	–	5,769,229	–	–	5,769,229	£0.20	–	28-Jul-20
Mark Segal [1]	3,076,923	–	–	(3,076,923)	–	£0.01	£0.20	01-Aug-13
Mark Segal [3]	–	3,000,000	–	–	3,000,000	£0.10	–	01-Jun-20
Mark Segal [4]	–	3,076,923	–	–	3,076,923	£0.20	–	28-Jul-20
Jim Ryan [2]	769,230	–	(769,230)	–	–	£0.13	–	01-Aug-13
Mark Wilson [2]	769,230	–	(769,230)	–	–	£0.13	–	01-Aug-13
Patrick Southon [1]	5,769,230	–	–	(5,769,230)	–	£0.01	£0.20	01-Aug-13

1 On 1 August 2013 the Company granted options to B Shares under the Gaming Realms 2013 EMI plan. The B Share value will be 20 pence less than the prevailing price of the ordinary shares and will therefore have no value unless the value of the new ordinary shares exceeds 20 pence. EMI options can only be granted to employees who meet the statutory working time requirement and cannot normally be exercised before 15 July 2015. All options granted under the New Share Option Scheme on Admission will be exercisable over B Shares at their nominal value of £0.01 and will be capable of exercise, subject to certain exceptions, after two years of the date of grant.

2 On 1 August 2013, the Company granted Unapproved Options which have the same rights as the options granted over the B Shares under Gaming Realms 2013 EMI plan, save that the exercise price will be 13 pence per ordinary share. During the year, all 1,538,460 options were exercised with the Company receiving £200,000 in proceeds for the aggregate exercise price.

3 On 2 June 2020, the Company granted these equity settled awards to certain Directors, which vest in three equal tranches on 3 February 2021, 2022 and 2023 subject to certain performance criteria.

4 On 28 July 2020, the Company granted these equity settled awards to certain Directors, which vest in two equal tranches 12 and 24 months from the date of grant.

9. Employee benefit expenses

	2020 £	2019 £
Employee benefit expenses (including directors) comprise:		
Wages and salaries	**4,026,970**	4,847,133
Share option and related charges (Note 27)	**372,344**	9,972
Social security contributions and similar taxes	**417,195**	522,976
Pension contributions	**149,563**	175,723
	4,966,072	5,555,804
Staff costs capitalised in respect of internally generated intangible assets	**(1,651,939)**	(1,676,889)
	3,314,133	3,878,915

The Group makes contributions to defined contribution plans and has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. The assets of the individual schemes are held separately from those of the Group in independently administered funds.

The average number of employees was 59 (2019: 85).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020 continued

10. Segment information

The Board is the Group's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the Board for the purposes of allocating resources and assessing performance.

The Group has 2 continuing reportable operating segments:

- Licensing – brand and content licensing to partners in Europe and the US
- Social Publishing – providing freemium games to the US

The results of the discontinued segments are included in Note 24. Management do not report segmental assets and liabilities internally and as such an analysis is not reported.

2020	Licensing £	Social publishing £	Head Office £	Total £
Revenue	7,515,114	3,885,971	2,401	11,403,486
Marketing expense	(18,528)	(242,667)	(94,199)	(355,394)
Operating expense	(1,070,766)	(1,161,266)	–	(2,232,032)
Administrative expense	(2,610,275)	(1,090,014)	(1,803,905)	(5,504,194)
Share option and related charges	(70,764)	(6,906)	(294,674)	(372,344)
Adjusted EBITDA – continuing	3,744,781	1,385,118	(2,190,377)	2,939,522
Impairment of financial asset				(449,422)
Restructuring expenses				(467,776)
EBITDA – continuing				2,022,324
Amortisation of intangible assets				(2,817,043)
Depreciation of property, plant and equipment				(216,323)
Impairment of property, plant and equipment				(22,876)
Finance expense				(882,032)
Finance income				333,664
Loss before tax – continuing				(1,582,286)

2019	Licensing £	Social publishing £	Head Office £	Total £
Revenue	4,146,857	2,758,475	106,164	7,011,496
Marketing expense	–	(130,505)	(81,968)	(212,473)
Operating expense	(772,827)	(854,984)	762	(1,627,049)
Administrative expense	(1,970,455)	(1,001,103)	(2,445,560)	(5,417,118)
Share option and related charges	–	–	(9,972)	(9,972)
Adjusted EBITDA – continuing	1,403,575	771,883	(2,430,574)	(255,116)
Impairment of financial asset				(200,000)
Restructuring expenses				(326,629)
EBITDA – continuing				(781,745)
Amortisation of intangible assets				(2,982,845)
Depreciation of property, plant and equipment				(204,714)
Finance expense				(842,518)
Finance income				146,661
Loss before tax – continuing				(4,665,161)

Segmental revenue includes £nil (2019: £128,755) of inter-segment Licensing revenue. This is shown as an Operating Expense under the real money gaming discontinued operations and eliminates on consolidation.

The Group's non-current assets by geographical area are detailed below.

	2020 £	2019 £
UK	**11,756,451**	12,485,328
USA	**5,599**	186,959
Sweden	**401,291**	289,511
Canada	**86,394**	99,080
	12,249,735	13,060,878

11. Finance income and expense

		2020 £	2019 £
Finance income			
Interest received		**47**	3,705
Fair value gain on other investments	15	**111,780**	–
Interest income on unwind of finance lease asset	22	**20,500**	30,625
Interest income on unwind of deferred consideration receivable	19	**201,337**	112,331
Total finance income		**333,664**	146,661
Finance expense			
Bank interest paid		**18,663**	45,931
Fair value loss on other investments	15	**–**	245,619
Fair value movement on derivative liability	23	**355,000**	72,000
Effective interest on other creditor	23	**437,050**	406,912
Interest expense on lease liability	22	**71,319**	72,056
Total finance expense		**882,032**	842,518

12. Tax credit

	2020 £	2019 £
Current tax		
Current tax expense	**(93,997)**	(62,784)
Adjustment for current tax of prior periods	**(34,232)**	(134,631)
R&D tax credit for the year	**46,127**	97,007
Total current tax	**(82,102)**	(100,408)
Deferred tax		
Unwind of deferred tax	**130,331**	131,743
Total deferred tax credit	**130,331**	131,743
Total tax credit	**48,229**	31,335

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020 continued

12. Tax credit (continued)

The reasons for the difference between the actual tax credit for the period and the standard rate of corporation tax in the UK applied to profits for the year are as follows:

	2020 £	2019 £
Loss before tax for the year – continuing	**(1,582,286)**	(4,665,161)
Loss before tax for the year – discontinued	–	(783,451)
Loss before tax for the year	**(1,582,286)**	(5,448,612)
Expected tax at effective rate of corporation tax in the UK of 19.0% (2019: 19.0%)	**(300,634)**	(1,035,236)
Expenses not deductible for tax purposes	**3,369**	36,755
Income not chargeable for tax purposes	–	(129,831)
Effects of overseas taxation	**93,997**	62,785
Adjustment for under-provision in prior years	**34,233**	134,631
Research and development tax credit	**(46,127)**	(97,007)
Timing difference	**12,745**	29,959
Tax losses for which no deferred tax assets have been recognised	**284,519**	1,098,352
Unwind of deferred taxes recognised on business acquisitions	**(130,331)**	(131,743)
	(48,229)	(31,335)

There are unused UK tax losses carried forward as at the balance sheet date of £37.0m (2019: £37.7m) equating to an unrecognised deferred tax asset of £7.0m (2019: £6.4m) using the expected future tax rates in the UK of 19% (2019: 17%). No deferred tax asset has been recognised in respect of these losses, as the recoverability of any asset is dependent upon sufficient profits being achieved in future years to utilise this asset. The timings of such profits are uncertain.

Deferred Tax Liability

	2020 £	2019 £
At 1 January 2020	**457,492**	607,943
Unwind of deferred tax recognised on business acquisitions	**(130,331)**	(131,743)
Exchange differences	**(6,248)**	(18,708)
At 31 December 2020	**320,913**	457,492

13. Profit/(Loss) per share

Basic profit/(loss) per share is calculated by dividing the result attributable to ordinary shareholders by the weighted average number of shares in issue during the year. For fully diluted loss per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of dilutive potential ordinary shares. The Group's potentially dilutive securities consist of share options, performance shares and a convertible bond. As the continuing operations of the Group are loss-making, none of the potentially dilutive securities (see Note 27) are currently dilutive.

	Note	2020 £	2019 £
Loss after tax – continuing		**(1,527,964)**	(4,558,218)
Loss after tax – discontinued	24	–	(783,451)
Loss after tax – total		**(1,527,964)**	(5,341,669)

	Number	Number
Weighted average number of ordinary shares used in calculating basic loss per share	**285,165,652**	284,428,747
Weighted average number of ordinary shares used in calculating dilutive loss per share	**285,165,652**	284,428,747

	Pence	Pence
Basic and diluted loss per share – continuing	**(0.54)**	(1.60)
Basic and diluted loss per share – discontinued	–	(0.28)
Basic and diluted loss per share – total	**(0.54)**	(1.88)

14. Intangible assets

	Goodwill £	Customer database £	Software £	Development costs £	Domain names £	Intellectual Property £	Total £
Cost							
At 1 January 2019	7,056,768	1,582,190	1,488,600	9,708,137	29,418	6,194,372	26,059,485
Additions	–	–	–	2,680,289	–	–	2,680,289
Disposals	–	–	–	(144,766)	(20,000)	–	(164,766)
Reclassified as held for sale	–	–	–	(437,023)	–	–	(437,023)
Exchange differences	(207,720)	(61,681)	(68,226)	(8,264)	(365)	(231,600)	(577,856)
At 31 December 2019	6,849,048	1,520,509	1,420,374	11,798,373	9,053	5,962,772	27,560,129
Additions	–	–	–	2,440,559	–	–	2,440,559
Disposals	–	–	–	–	–	–	–
Exchange differences	(151,829)	(44,859)	(36,151)	(6,040)	(268)	(176,593)	(415,740)
At 31 December 2020	**6,697,219**	**1,475,650**	**1,384,223**	**14,232,892**	**8,785**	**5,786,179**	**29,584,948**
Accumulated amortisation and impairment							
At 1 January 2019	1,650,000	1,582,190	1,407,255	5,923,789	29,418	2,618,210	13,210,862
Amortisation charge	–	–	79,731	2,128,156	–	774,958	2,982,845
Disposals	–	–	–	(60,389)	(20,000)	–	(80,389)
Exchange differences	–	(61,681)	(66,612)	(5,521)	(365)	(121,563)	(255,742)
At 31 December 2019	1,650,000	1,520,509	1,420,374	7,986,035	9,053	3,271,605	15,857,576
Amortisation charge	–	–	–	2,050,390	–	766,653	2,817,043
Disposals	–	–	–	–	–	–	–
Exchange differences	–	(44,859)	(36,151)	(5,680)	(268)	(139,836)	(226,794)
At 31 December 2020	**1,650,000**	**1,475,650**	**1,384,223**	**10,030,745**	**8,785**	**3,898,422**	**18,447,825**
Net book value							
At 31 December 2019	5,199,048	–	–	3,812,338	–	2,691,167	11,702,553
At 31 December 2020	**5,047,219**	**–**	**–**	**4,202,147**	**–**	**1,887,757**	**11,137,123**

The Group has no contractual commitments for development costs (2019: none).

Goodwill

The Group has 2 Cash Generating Units ("CGUs") (2019: 2) for which the carrying amount of goodwill is allocated as follows:

	2020 £	2019 £
Licensing	**4,819,435**	4,964,607
Social Publishing	**227,784**	234,441
	5,047,219	5,199,048

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For the year ended 31 December 2020 continued

14. Intangible assets (continued)

Impairment of goodwill

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. A detailed impairment test was undertaken at 31 December 2020 to assess whether the carrying value of assets was supported by its recoverable amount.

The recoverable amount is the higher of fair value less costs of disposal, and value in use. The use of this method requires the estimation of future cash flows and the determination of a discount rate in order to calculate the present value of the cash flows. No indicators of impairment arose as a result of this review.

The recoverable amounts of both continuing CGUs have been determined from value in use calculations based on cash flow projections from formally approved budgets. Cash flow projections have been prepared by management for a three-year period to 31 December 2023, which have been presented and approved by the Board. These projections have been extended by a further 2 years using estimated growth rates to give 5-year projections. Other major assumptions are as follows:

	Discount rate	Long-term growth rate*
2020		
Licensing	**14.4%**	**2%**
Social Publishing	**14.4%**	**2%**
2019		
Licensing	13.7%	2%
Social Publishing	15.7%	2%

* The growth rate assumptions apply only to the period beyond the formal budgeted period with the value in use calculation based on an extrapolation of the budgeted cash flows for year 5.

The discount rates used in discounting the projected cash flows are based on the Group's Weighted Average Cost of Capital, after considering the specific risks of the different CGU's.

The discount rates used have been considered based on the risks involved in each of the underlying business units and terminal growth rates and reflect the expected growth in underlying EBITDA expected from these units. These CGUs have been considered for impairment and sensitivities have been calculated around the terminal growth rates and discount factors used together with specific scenarios including the loss of revenue where those revenues might be considered to be at risk.

No indicators of impairment have arisen as a result as the impact of all sensitivities were judged to be within tolerable levels.

15. Other investments

	Other investments £
At 1 January 2019	535,130
Change in fair value	(245,619)
At 31 December 2019	289,511
Change in fair value	111,780
At 31 December 2020	**401,291**

The other investment balance comprises a 6.6% interest in Ayima Group AB ("Ayima"). The shares of Ayima are quoted on AktieTorget, a Nordic stock exchange (www.aktietorget.se). The investment is remeasured each reporting period to fair value based on the quoted share price.

As at 31 December 2020 the quoted share price was SEK 13.00 (£1.15) (2019: SEK 10.35 (£0.83)). This is a level 1 valuation as defined by IFRS 13. Under IFRS 9, movements in fair value are taken to the income statement.

16. Property, plant and equipment

	ROU lease assets £	Leasehold improvements £	Computers and related equipment £	Office furniture and equipment £	Total £
Cost					
At 1 January 2019	115,094	197,580	180,899	92,475	586,048
Additions	644,281	60,968	15,279	30,336	750,864
Disposals	–	(181,100)	(13,093)	(46,934)	(241,127)
Reclassified as held for sale	–	–	(1,125)	–	(1,125)
Exchange differences	959	(916)	235	(111)	167
At 31 December 2019	760,334	76,532	182,195	75,766	1,094,827
Additions	10,464	–	27,774	2,369	40,607
Disposals	–	–	(3,139)	–	(3,139)
Exchange differences	(1,185)	(473)	(463)	(926)	(3,047)
At 31 December 2020	**769,613**	**76,059**	**206,367**	**77,209**	**1,129,248**
Accumulated depreciation					
At 1 January 2019	–	148,968	126,631	67,799	343,398
Depreciation charge	116,713	40,627	36,836	10,538	204,714
Disposals	–	(174,938)	(12,871)	(25,237)	(213,046)
Exchange differences	(541)	(766)	161	144	(1,002)
At 31 December 2019	116,172	13,891	150,757	53,244	334,064
Depreciation charge	166,100	16,263	25,809	8,151	216,323
Disposals	–	–	(3,139)	–	(3,139)
Impairment	22,876	–	–	–	22,876
Exchange differences	(481)	(437)	(495)	(256)	(1,669)
At 31 December 2020	**304,667**	**29,717**	**172,932**	**61,139**	**568,455**
Net book value					
At 31 December 2019	644,162	62,641	31,438	22,522	760,763
At 31 December 2020	**464,946**	**46,342**	**33,435**	**16,070**	**560,793**

17. Other assets

	2020 £	2019 £
Other assets	**150,528**	150,885

Other assets represent the rental deposit on operating leases and deposits held with third-party suppliers.

18. Trade and other receivables

	2020 £	2019 £
Trade receivables	**1,319,769**	974,321
Other receivables	**216,207**	145,855
Tax and social security	**5,288**	123,919
Prepayments and accrued income	**802,475**	606,768
	2,343,739	1,850,863

The carrying value of trade and other receivables classified at amortised cost approximates fair value.

All amounts shown fall due for payment within one year.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables. To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and aging.

Management have assessed the expected loss rate based on the Group's historical credit losses experienced over the five-year period ended 31 December 2020. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customers. As discussed in Note 5, the result of this review performed by management was a credit of £78,024 (2019: charge of £200,000) being recognised in the income statement.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020 continued

19. Deferred consideration

	Note	Affiliate Marketing Continuing £	RMG* Continuing £	Total Continuing £	RMG* Discontinued £	Total £
At 1 January 2019		385,000	280,690	665,690	3,623,425	4,289,115
Deferred consideration received in the year		(385,000)	–	(385,000)	–	(385,000)
Interest recognised as finance income on b/fwd balance	11,24	–	22,034	22,034	273,851	295,885
Eliminated on 2019 RMG disposal	24	–	(302,724)	(302,724)	(3,897,276)	(4,200,000)
Deferred consideration on 2019 RMG disposal	24	–	1,208,366	1,208,366	–	1,208,366
Interest recognised as finance income on 2019 disposal	11	–	90,297	90,297	–	90,297
At 31 December 2019		–	1,298,663	1,298,663	–	1,298,663
At 1 January 2020		–	1,298,663	1,298,663	–	1,298,663
Interest recognised as finance income on 2019 disposal	11	–	201,337	201,337	–	201,337
Impairment recognised	5	–	(527,446)	(527,446)	–	(527,446)
At 31 December 2020		**–**	**972,554**	**972,554**	**–**	**972,554**

* RMG refers to Real Money Gaming. This segment is classified as discontinued as disclosed in Note 24.

2019 RMG disposal

As part of the 2019 disposal of the B2C RMG CGU (see Note 24), the Group was due £1.5m deferred consideration on 31 December 2020. During the prior year, a discount rate of 14.5% was used to calculate the present value of the £1.5m (£1,208,366). Interest income of £201,337 was recognised within finance income on the unwind of this balance.

As disclosed in Note 5, management have performed an impairment assessment in line with IFRS 9 on the deferred consideration balance at the year-end, which has resulted in an impairment of £527,446 being recorded in the income statement in the year. The carrying amount at 31 December 2020 is £972,554 (2019: £1,298,663).

After the year-end, on 1 April 2021 the Group received £1.0m from River for full and final settlement of the deferred consideration receivable, certain other receivable balances, and various legal proceedings and other out of court disputes between the parties.

20. Cash and cash equivalents

	2020 £	2019 £
Cash and cash equivalents	**2,105,167**	2,626,837
Restricted cash	**(18,382)**	(18,382)
Cash and cash equivalents for Statement of Cash Flows	**2,086,785**	2,608,455

The Group has restricted cash of £18,382 (2019: £18,382) relating to funds held in Swiss subsidiaries which are currently in liquidation. The funds are restricted and are not included in the consolidated statement of cash flows.

21. Trade and other payables

	2020 **£**	2019 £
Trade payables	**368,402**	488,755
Other payables	**290,543**	634,807
Tax and social security	**122,533**	170,931
Accruals	**1,162,236**	830,764
	1,943,714	2,125,257

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

22. Leases

Group as a lessee

Set out below, are the carrying amount of the Group's right-of-use asset and lease liability, along with the movements during the year.

Right-of-use assets

	Land and buildings	**Motor vehicles**	**Total**
At 1 January 2019	115,094	–	115,094
Additions	644,281	–	644,281
Amortisation	(116,713)	–	(116,713)
Exchange differences	1,500	–	1,500
At 31 December 2019	644,162	–	644,162
Additions	–	10,464	10,464
Amortisation	(165,223)	(877)	(166,100)
Impairment	(22,876)	–	(22,876)
Exchange differences	(704)	–	(704)
At 31 December 2020	**455,359**	**9,587**	**464,946**

Lease liabilities

	Land and buildings	**Motor vehicles**	**Total**
At 1 January 2019	498,115	–	498,115
Additions	594,281	–	594,281
Lease payments	(252,376)	–	(252,376)
Interest expense	72,056	–	72,056
Exchange differences	(9,427)	–	(9,427)
At 31 December 2019	902,649	–	902,649
Additions	–	10,464	10,464
Lease payments	(298,606)	(1,480)	(300,086)
Interest expense	71,196	123	71,319
Exchange differences	(312)	–	(312)
At 31 December 2020	**674,927**	**9,107**	**684,034**

	2020 **£**	2019 £
Current	**343,859**	256,527
Non-current	**340,175**	646,122
	684,034	902,649

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020 continued

22. Leases (continued)

Group as a lessor

Set out below, are the carrying amount of the Group's finance lease asset, along with movements in the year.

	Finance lease asset £
At 1 January 2019	385,106
Lease receipts	(120,507)
Interest income	30,625
Exchange differences	(11,704)
At 31 December 2019	283,520
Additions	–
Lease receipts	(163,324)
Interest income	20,500
Exchange differences	(638)
At 31 December 2020	**140,058**

	2020 £	2019 £
Current	**140,058**	126,354
Non-current	**–**	157,166
	140,058	283,520

23. Arrangement with Gamesys Group plc

In December 2017 the Group entered into a complex transaction with Gamesys Group plc and group companies (together "Gamesys Group"). The transaction includes a £3.5m secured convertible loan agreement alongside a 10-year framework services agreement for the supply of various real money services. Under the framework services agreement the first £3.5m of services are provided free-of-charge within the first 5 years.

The convertible loan has a duration of 5 years and carries interest at 3-month LIBOR plus 5.5%. It is secured over the Group's Slingo assets and business. At any time after the first year, Gamesys Group plc may elect to convert all or part of the principal amount into ordinary shares of Gaming Realms plc at a discount of 20% to the share price prevailing at the time of conversion. To the extent that the price per share at conversion is lower than 10p (nominal value), then the shares can be converted at nominal value with a cash payment equal to the aggregate value of the convertible loan outstanding multiplied by the shortfall on nominal value payable to Gamesys Group plc. Under this arrangement, the maximum dilution to Gaming Realms shareholders will be approximately 11%, assuming the convertible loan is converted in full.

The option violates the fixed-for-fixed criteria for equity classification as the number of shares is variable and as a result is classified as a liability.

The fair value of the conversion feature is determined at each reporting date with changes recognised in profit or loss. The initial fair value was £0.6m based on a probability assessment of conversion and future share price. This is a level 3 valuation as defined by IFRS 13. The fair value as at 31 December 2020 was £0.6m (2019: £0.3m) based on revised probabilities of when and if the option will be exercised. The key inputs into the valuation model included timing of exercise by the counterparty (based on a probability assessment) and the share price.

The initial fair value of the host debt was calculated as £2.7m, being the present value of expected future cash outflows. The initial rate used to discount future cashflows was 14.1%, being the Group's incremental borrowing rate. This rate was calculated by reference to the Group's cost of equity in the absence of reliable alternative evidence of the Group's cost of borrowing given it is predominantly equity funded. Expected cashflows are based on directors' judgement that a change in control event would not occur. Subsequently the loan is carried at amortised cost. The residual £0.2m of proceeds were allocated to the obligation to provide free services.

	Fair value of debt host £	Obligation to provide free services £	Fair value of derivative Liability £	Total £
At 1 January 2019	2,795,602	209,000	200,000	3,204,602
Utilisation of free services	–	(8,000)	–	(8,000)
Effective interest	406,912	–	–	406,912
Interest paid	(276,841)	–	–	(276,841)
Change in fair value	–	–	72,000	72,000
At 31 January 2019	2,925,673	201,000	272,000	3,398,673
At 1 January 2020	2,925,673	201,000	272,000	3,398,673
Utilisation of free services	–	(52,000)	–	(52,000)
Effective interest	437,050	–	–	437,050
Interest paid	(206,853)	–	–	(206,853)
Change in fair value	–	–	355,000	355,000
At 31 December 2020	**3,155,870**	**149,000**	**627,000**	**3,931,870**

24. Discontinued operations

During the prior year, the Group disposed of the remaining elements of its real money gaming B2C CGU. During the prior year the Group also disposed of one of its subsidiaries, Blastmedia LLC, a software development Company.

Analysis of profit for the financial year – discontinued operations:

		2020 £	2019 £
B2C RMG – 2019 disposals			
Profit on disposal	A	–	791,488
Loss for the financial year	D	–	(1,309,467)
B2C RMG business reclassified as held for sale			
Share of loss of associate	B	–	(157,307)
Loss on disposal of B2C RMG		–	(675,286)
Others:			
Blastmedia LLC – loss on disposal	C	–	(108,165)
Loss for the financial year – discontinued		–	**(783,451)**

B2C RMG – Disposal in 2019

On 17 July 2019, the Group completed the transaction to (i) sell the entire issued share capital of Bear Group Limited, (ii) license the Company's real money gaming platform, and (iii) sell the Company's residual interest in River UK Casino Limited, to River iGaming plc ("River").

The cash consideration of the transaction is £11.5m on a cash-free, debt-free basis, with £1.5m deferred for receipt until 31 December 2020. The transaction terminated the £4.2m deferred consideration due on 31 August 2019 and the put/call option over the Group's 30% shareholding in River UK Casino.

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24. Discontinued operations (continued)

A – B2C RMG profit on disposal

		2020 £	2019 £
Cash consideration		–	6,967,718
Deferred consideration		–	1,208,366
Deferred consideration cancelled		–	(4,200,000)
Total consideration received		–	3,976,084
Cash disposed of		–	(811,858)
Net cash inflow on disposal		–	6,155,860
Net assets disposed (other than cash):			
Intangible assets		–	3,402,811
Investment in Bear Group Limited		–	1
Investment in River UK Casino	B	–	2,110,885
Property, plant and equipment		–	8,100
Other assets		–	32,000
Trade and other receivables		–	494,787
Trade and other payables		–	(4,441,713)
Total net assets disposed (other than cash)		–	1,606,871
Gain on disposal of discontinued operation		–	1,557,355
Less: Disposal costs		–	(765,867)
Profit on disposal of discontinued operation		–	791,488

B – Share of loss in associate investment in River UK Casino

The Group used the equity method of accounting for associates. The following table shows the aggregate movement in the Group's interests in associates:

	2020 £	2019 £
At 1 January	–	2,268,192
Share of associate's loss	–	(157,307)
Disposal of associate	–	(2,110,885)
At 31 December	–	–

C – Disposal of Blastmedia LLC

On 11 February 2019 the Group disposed of its investment in Blastmedia LLC, a software development company, for consideration of $100 (£77), which resulted in a loss on disposal of the investment being recognised of £108,165.

	2020 £	2019 £
Cash consideration	–	77
Cash disposed of	–	(20,408)
Net cash outflow on disposal	–	(20,331)
Less: Assets disposed		
Investment in Blastmedia LLC	–	12,076
Intangible assets	–	72,680
Property, plant and equipment	–	4,528
Other receivables	–	1,124
Other payables	–	(2,574)
Total net assets disposed (other than cash)	–	87,834
Loss on disposal of Blastmedia LLC	–	(108,165)

D – Results of discontinued operations

B2C RMG	2020 £	2019 £
Revenue	–	6,002,455
Marketing expenses	–	(706,213)
Operating expenses	–	(4,907,731)
Administrative expenses	–	(1,965,488)
EBITDA – B2C RMG	–	(1,576,977)
Depreciation of property, plant and equipment	–	(6,341)
Finance income	–	273,851
Loss for the financial year – B2C RMG	–	(1,309,467)

The net cash flows arising from discontinued operations are as follows:

	2020 £	2019 £
Operating activities	–	(1,072,258)
Investing activities	–	4,932,639
Financing activities	–	–
Net cash inflow	–	3,860,381

25. Financial instruments and risk management – Group

The Group is exposed through its operations to risks that arise from use of its financial instruments. The Group's financial assets and liabilities are shown on the face of the consolidated statement of financial position and are presented in the table below by category, as defined by IFRS 9 'Financial Instruments'.

	Amortised cost		Fair Value	
	2020 £	2019 £	2020 £	2019 £
Financial assets				
Cash and cash equivalents	**2,105,167**	2,626,837	–	–
Trade and other receivables	**1,535,976**	1,120,176	–	–
Deferred consideration	**972,554**	1,298,663	–	–
Finance lease asset	**140,058**	283,520	–	–
Other assets	**150,528**	150,885	–	–
Other investments	–	–	**401,291**	289,511
Financial liabilities				
Trade and other payables	**658,945**	1,123,562	–	–
Accruals	**1,162,236**	830,764	–	–
Other creditors	**3,304,870**	3,126,673	–	–
Derivative liability	–	–	**627,000**	272,000
Lease liability	**684,034**	902,649	–	–

Financial assets and financial liabilities are recognised on the balance sheet when the Group becomes a party to the contractual provisions of the instrument.

The Group classifies its financial instruments in the following categories:

» Financial assets held at amortised cost;
» Financial assets held at fair value;
» Financial liabilities held at amortised cost; and
» Financial liabilities held at fair value.

The classification depends on the purpose for which the financial assets and liabilities were acquired. Management determines the classification of its financial instruments at initial recognition or in certain circumstances on modification.

In the Directors' opinion, there is no material difference between the book value and the fair value of any of the financial instruments.

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25. Financial instruments and risk management – Group (continued)

The Group has some exposure to credit risk and liquidity risk. There has been no material change to the financial instruments used within the business during the year except for contingent consideration and therefore no material changes to the risk management policies put in place by the Board which are now discussed below.

The Board has overall responsibility for the determination of the Group's risk management objectives and policies. Whilst acknowledging this responsibility, it has delegated the authority and day to day responsibility for designing and operating systems and controls which meet these risk management objectives to the finance and administration function. The Board regularly reviews the effectiveness of these processes in meeting its objectives and considers any necessary changes in response to changes within the business or the environment in which it operates.

Currency risk

The Group is exposed to currency risk on translation and on sales and purchases that are denominated in a currency other than Pounds Sterling (GBP). The currency in which these transactions are primarily denominated is US Dollars (USD).

The Group's policy is, where possible to allow Group entities to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency. Where Group entities have liabilities denominated in a currency other than their functional currency cash already denominated in that currency will, where possible, be transferred from elsewhere in the Group.

As of 31 December 2020 the Group's net exposure to foreign exchange risk was as follows:

Net foreign currency financial assets	**2020 £**	2019 £
US Dollar	**810,533**	780,928
Euro	**335,082**	141,712
Other	**4,286**	17,787
	1,149,901	940,427

The effect of a 20% strengthening in Sterling against other currencies, all other variables held constant, have resulted in a decrease in losses and an increase in net assets of £229,980 (2019: decrease in losses and increase of net assets of £188,086). A 20% weakening in the exchange rates would, on same basis increase loss after tax and decrease net assets by £229,980. (2019: increase loss after tax and decrease net assets by £188,086).

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. Aside from ongoing lease liabilities, the Group has no debt contractually repayable before 31 December 2022 (see Note 23).

The following table sets out the undiscounted contractual cash flows:

At 31 December 2020	**Within 1 year £**	**1-2 years £**	**Over 2 years £**
Trade and other payables	**658,945**	–	–
Accruals	**1,162,236**	–	–
Other creditors	**262,500**	**3,752,276**	–
Lease liability	**390,813**	**192,389**	**175,588**
Total	**2,474,494**	**3,944,665**	**175,588**

At 31 December 2019	Within 1 year £	1-2 years £	Over 2 years £
Trade and other payables	1,123,562	–	–
Accruals	830,764	–	–
Other creditors	263,219	264,600	3,754,338
Lease liability	327,030	356,919	368,315
Total	2,544,575	621,519	4,122,653

Credit risk

The Group's trading is mainly exposed to credit risk through credit sales in the Licencing and Social Publishing segments. Generally, receivables are due and collected within 30 days of invoice or contract. See Note 18 for further detail on receivables exposure and expected credit loss analysis.

Management considered the credit risk on other financial assets including deferred consideration and the counterparty debt risk and recognised an impairment provision of £449,422 as discussed further in Note 5. In the opinion of management, the credit risk to cash and lease deposits is immaterial.

See further disclosure on results of expected credit losses in Note 18.

Financial liabilities measured at fair value

The fair value hierarchy of financial liabilities measured at fair value is provided.

The fair value of derivative liabilities totalling £0.6m (2019: £0.3m) was based on a probability assessment of conversion and future share price. This is a level 3 valuation as defined by IFRS 13.

The fair value measurement hierarchy is based on the inputs to valuation techniques used to measure fair value. The inputs are categorised into three levels, with the highest level (level 1) given to inputs for which there are unadjusted quoted prices in active markets for identical assets or liabilities and the lowest level (level 3) given to unobservable inputs. Level 2 inputs are directly or indirectly observable inputs other than quoted prices.

Capital management

The Group is funded through shareholders' funds and a £3.5m facility with Gamesys Group plc (Note 23).

The Group monitors its capital structure, which comprises all components of equity (i.e. share capital, share premium, non-controlling interest and retained earnings) and monitors external debt. The Group is not subject to any externally imposed capital requirements.

Changes in liabilities

IAS 7 requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. The Group's liabilities arising from financing activities consist of the Gamesys Group plc arrangement (see Note 23), Derivative liability (see Note 23), an obligation to provide free services (see Note 23) and lease liabilities (see Note 22). A reconciliation between the opening and closing balances of these items is provided below.

2020

	Fair value of debt host £	Obligation to provide free services £	Fair value of derivative liability £	Lease liability £
Opening balance	2,925,673	201,000	272,000	902,649
New leases entered into during the year	–	–	–	10,464
Cash	(206,853)	–	–	(300,086)
Non-cash transaction	–	(52,000)	–	–
Unwind of discount	437,050	–	–	71,319
Exchange differences	–	–	–	(312)
Change in fair value	–	–	355,000	–
Carried forward	**3,155,870**	**149,000**	**627,000**	**684,034**

2019

	Fair value of debt host £	Obligation to provide free services £	Fair value of derivative liability £	Lease liability £
Opening balance	2,795,602	209,000	200,000	–
Adoption of IFRS 16	–	–	–	498,115
New leases entered into during the year	–	–	–	594,281
Cash	(276,841)	–	–	(252,376)
Non-cash transaction	–	(8,000)	–	–
Unwind of discount	406,912	–	–	72,056
Exchange differences	–	–	–	(9,427)
Change in fair value	–	–	72,000	–
Carried forward	2,925,673	201,000	272,000	902,649

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020 continued

26. Share capital

Ordinary shares

	2020 Number	2020 £	2019 Number	2019 £
Ordinary shares of 10 pence each	**286,647,315**	**28,664,731**	284,428,747	28,442,874

The increase of 2,218,568 ordinary shares relates to the exercise of share options during the year. The total amount received by the Company for the exercise price settlement was £281,613, which has been recorded as an increase in share capital and share premium as follows:

	£
Share capital	**221,857**
Share premium	**59,756**
	281,613

27. Share-based payments

Gaming Realms 2013 EMI Plan

On 1 August 2013 the Company adopted the Gaming Realms 2013 EMI Plan to allow, at the discretion of the Board, eligible employees to be granted EMI or non-EMI options at an exercise price to be determined by the Board not less than the nominal value of a share. Options will vest subject to such time based and share price performance-based conditions as the Board may determine.

Options to acquire ordinary shares under the EMI plan may be granted up to a maximum of £3m (based on the market value of the shares placed under option at the date of the grant).

No consideration is payable for the grant of the option and the options are not transferable or assignable. Cash consideration is paid to the Company by the employee at the point that the share options are exercised.

The following table illustrates the number and weighted average exercise price of share options:

	Number	Weighted average exercise price (pence)
Outstanding at 1 January 2019	40,362,525	15.45
Forfeited during the year	(2,643,414)	17.12
Number of options outstanding at 31 December 2019	**37,719,111**	15.33
Granted during the year	25,246,152	14.69
Forfeited during the year	(6,884,000)	22.44
Lapsed during the year	(26,153,837)	1.00
Exercised during the year	(2,218,568)	12.69
Number of options outstanding at 31 December 2020	**27,708,858**	15.60
Exercisable at 31 December 2020	**3,462,706**	20.56

Options to subscribe under various schemes, including those noted in Directors' interests in Note 8, are shown in the table below:

	Date granted	Exercise price (pence)	Exercisable between	2020 Number of shares	2019 Number of shares
Approved	1 August 2013	0.01	31 July 2015 to 31 July 2023	–	26,153,837
Unapproved	1 August 2013	13.00	31 July 2015 to 31 July 2023	–	1,538,460
Approved	2 April 2014	23.00	1 April 2017 to 1 April 2024	**1,377,469**	1,690,621
Unapproved	17 June 2014	23.00	16 June 2016 to 16 June 2024	–	750,000
Approved	17 June 2014	28.88	16 June 2016 to 16 June 2024	**326,087**	326,087
Approved	19 February 2015	33.00	19 February 2018 to 19 February 2025	**172,475**	172,475
Approved	15 October 2015	25.13	15 October 2018 to 15 October 2025	**535,000**	5,535,000
Approved	10 November 2015	25.00	10 November 2018 to 10 November 2025	**854,175**	974,105
Approved	28 July 2016	20.00	28 July 2018 to 28 July 2026	**167,500**	548,526
Unapproved	28 July 2016	20.00	28 July 2018 to 28 July 2026	**30,000**	30,000
Approved	1 May 2020	10.00	3 February 2021 to 1 May 2030	**4,350,000**	–
Unapproved	1 May 2020	10.00	3 February 2021 to 1 May 2030	**1,300,000**	–
Unapproved	1 May 2020	10.00	1 May 2020 to 1 May 2030	**750,000**	–
Approved	2 June 2020	20.00	3 February 2021 to 2 June 2030	**6,000,000**	–
Approved	28 July 2020	20.00	1 August 2021 to 28 July 2030	**8,846,152**	–
Approved	26 November 2020	20.00	26 November 2021 to 26 November 2030	**2,500,000**	–
Unapproved	26 November 2020	20.00	26 November 2021 to 26 November 2030	**500,000**	–
				27,708,858	37,719,111

During the year 25,246,152 share options were granted to Directors, certain employees and others.

The fair value of options granted during the year were determined using Black-Scholes models. The following principal assumptions were used in the valuation performed at each grant date.

Grant date	1 May 2020	1 May 2020	1 May 2020	2 Jun 2020	2 Jun 2020	2 Jun 2020
No. of options	2,216,661	2,216,661	2,216,678	2,000,000	2,000,000	2,000,000
Vesting date	3 Feb 2021	3 Feb 2022	3 Feb 2023	3 Feb 2021	3 Feb 2022	3 Feb 2023
Model used	Black Scholes	Black Scholes	Black Scholes	Black Scholes	Black Scholes	Black Scholes
Share price at date of grant (pence)	9.15	9.15	9.15	13.50	13.50	13.50
Volatility	70%	60%	55%	70%	60%	55%
Expected option life	1 year	2 years	3 years	1 year	2 years	3 years
Dividend yield	n/a	n/a	n/a	n/a	n/a	n/a
Risk free investment rate	0.09%	0.04%	0.04%	0.07%	-0.02%	-0.01%
Fair value per option at grant date (pence)	2.22	2.74	3.10	5.25	5.83	6.25
Exercise price (pence)	10.00	10.00	10.00	10.00	10.00	10.00
Exercisable to	1 May 2030	1 May 2030	1 May 2030	2 Jun 2030	2 Jun 2030	2 Jun 2030

Grant date	1 May 2020	28 Jul 2020	28 Jul 2020	26 Nov 2020	26 Nov 2020	26 Nov 2020
No. of options	750,000	4,423,077	4,423,075	1,000,000	1,000,000	1,000,000
Vesting date	1 May 2020	1 Aug 2021	1 Aug 2022	25 Nov 2021	25 Nov 2022	25 Nov 2023
Model used	Black Scholes	Black Scholes	Black Scholes	Black Scholes	Black Scholes	Black Scholes
Share price at date of grant (pence)	12.30	15.65	15.65	18.30	18.30	18.30
Volatility	70%	60%	55%	73%	70%	68%
Expected option life	0.75 years	2 years	3 years	2 years	3 years	4 years
Dividend yield	n/a	n/a	n/a	n/a	n/a	n/a
Risk free investment rate	0.09%	-0.09%	-0.14%	-0.03%	-0.04%	-0.03%
Fair value per option at grant date (pence)	1.88	3.90	4.53	6.69	7.90	8.81
Exercise price (pence)	10.00	20.00	20.00	20.00	20.00	20.00
Exercisable to	1 May 2030	28 Jul 2030	28 Jul 2030	26 Nov 2030	26 Nov 2030	26 Nov 2030

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020 continued

27. Share-based payments (continued)

The share option and related charges income statement expense comprises:

	2020 £	2019 £
IFRS 2 share-based payment charge	330,308	9,972
Direct taxes related to share options	42,036	–
	372,344	9,972

IFRS 2 (Share-based payments) requires that the fair value of such equity-settled transactions are calculated and systematically charged to the statement of comprehensive income over the vesting period. The total fair value that was charged to the income statement in relation to the equity-settled share-based payments was £330,308 (2019: £9,972).

Where individual EMI thresholds are exceeded or when unapproved share options are exercised by overseas employees, the Group is subject to employer taxes payable on the taxable gain on exercise. Since these taxes are directly related to outstanding share options, the income statement charge has been included within share option and related charges. The Group uses its closing share price at the reporting date to calculate such taxes to accrue. The tax related income statement charge for the year was £42,036 (2019: £nil).

28. Related party transactions

Jim Ryan is a Non-Executive Director of the Company and the CEO of Pala Interactive, which has a real-money online casino and bingo site in New Jersey. During the year, total license fees earned by the Group were $45,693 (2019: $19,269) with $13,155 due at 31 December 2020 (2019: $4,120).

Jim Ryan is a Non-Executive Director of Gamesys Group plc. In December 2017 the Group entered into a 10-year framework services agreement and a 5-year convertible loan agreement for £3.5m with Gamesys Group plc (see Note 23).

During the year £113,333 (2019: £90,000) of consulting fees were paid to Dawnglen Finance Limited, a company controlled by Michael Buckley, which is included in the remuneration figure of £198,333 (2019: £150,000) shown in Note 8. No amounts were owed at 31 December 2020 (2019: £nil).

The details of key management compensation are set out in Note 7.

29. Subsidiaries

The subsidiaries of the Company, all of which have been included in these consolidated financial statements, are as follows:

Name	Registered Office	Country of Incorporation	Principal activity	Proportion held by Parent Company	Proportion held by Group
Blastworks Limited	2 Valentine Place, London, SE1 8QH	UK	IP owner	91%	100%
Alchemybet Limited	2 Valentine Place, London, SE1 8QH	UK	Software Developer	89%	100%
Blastworks Inc.	300 Deschutes Way SW, Tumwater, WA 98501	USA	Social publishing operator	100%	100%
Backstage Technologies, Inc.	808 Douglas Street, Victoria, BC, V8W 2B6	Canada	Software Developer	100%	100%
Hullabu Inc.	848 N Rainbow Blvd, Las Vegas, NV, 89101	USA	IP owner	0%	62.5%
Alchemybet Malta Holdings Limited	MK Business Centre, 115A Floor 2, Valley Road, Birkirkara, BKR 9022	Malta	Holding company	100%	100.0%
Alchemybet Malta Limited	MK Business Centre, 115A Floor 2, Valley Road, Birkirkara, BKR 9022	Malta	License holder	0%	100.0%
Quickthink Digital Limited	2 Valentine Place, London, SE1 8QH	UK	Marketing services	100%	100%
Blueburra Holdings Limited	49 Victoria Street, Douglas, Isle of Man, IM1 2LD	Isle of Man	Marketing services	100%	100%
Digital Blue Limited	49 Victoria Street, Douglas, Isle of Man, IM1 2LD	Isle of Man	Marketing services	0%	100%

The Group held 100% interest in the following subsidiaries that were in the process of liquidation at the balance sheet date:

Name	Registered Office	Country of Incorporation	Principal activity	Proportion held by Parent Company	Proportion held by Group
PDX Businessgroup AG	Vordergasse 53 8200 Schaffhause	Switzerland	In liquidation	100%	100%
PDX Technologies AG		Switzerland	In liquidation	0%	100%
PDX Management AG		Switzerland	In liquidation	0%	100%
PDX Public Health and Safety AG		Switzerland	In liquidation	0%	100%
BFX Solutions AG		Switzerland	In liquidation	0%	100%
DDX Solutions AG		Switzerland	In liquidation	0%	100%

30. Post balance sheet events

On 6 January 2021, the Group was awarded a provisional iGaming supplier license by the Michigan Gaming Control Board to allow the Group to provide its Slingo Originals game content to Michigan's licensed online casino operators.

On 1 April 2021, the Group received £1.0m from River for full and final settlement of the deferred consideration receivable (see Note 19), certain other receivable balances, and various legal proceedings and other out of court disputes between the parties.

Parent Company Statement of Financial Position

As at 31 December 2020

	Note	31 December 2020 £	31 December 2019 £
Non-current assets			
Investment in subsidiary undertakings	2	**5,129,119**	5,128,030
Other investments	2	**401,291**	289,511
Property, plant and equipment	3	**460,592**	629,699
Other assets		**138,798**	138,798
		6,129,800	6,186,038
Current assets			
Trade and other receivables	4	**15,448,125**	15,251,311
Deferred consideration	5	**972,554**	1,298,663
Cash and cash equivalents		**35,488**	1,717,280
		16,456,167	18,267,254
Total assets		**22,585,967**	24,453,292
Current liabilities			
Trade and other payables	6	**8,856,470**	8,053,805
Lease liabilities		**178,043**	106,720
		9,034,513	8,160,525
Non-current liabilities			
Other Creditors	7	**3,304,870**	3,126,673
Derivative liabilities	7	**627,000**	272,000
Lease liabilities		**308,774**	444,160
		4,240,644	3,842,833
Total liabilities		**13,275,157**	12,003,358
Net assets		**9,310,810**	12,449,934
Equity			
Share capital	8	**28,664,731**	28,442,874
Share premium		**87,978,166**	87,918,410
Merger reserve		**2,683,702**	2,683,702
Retained earnings		**(110,015,789)**	(106,595,052)
Total equity		**9,310,810**	12,449,934

As permitted by section 408 of the Companies Act 2006, a separate profit and loss account of the Company is not presented. The Company's loss for the financial year was £3,751,045 (2019: £6,226,399).

The notes on pages 62 to 64 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 26 April 2021 and were signed on its behalf by:

Michael Buckley
Executive Chairman

Parent Company Statement of Changes in Equity

For the year ended 31 December 2020

	Share capital £	Share premium £	Merger reserve £	Retained earnings £	Total equity £
1 January 2019	**28,442,874**	**87,918,410**	**2,683,702**	**(100,378,625)**	**18,666,361**
Loss for the year	–	–	–	(6,226,399)	(6,226,399)
Share-based payment on share options	–	–	–	9,972	9,972
31 December 2020	**28,442,874**	**87,918,410**	**2,683,702**	**(106,595,052)**	**12,449,934**
Loss for the year	–	–	–	(3,751,045)	(3,751,045)
Share-based payment on share options	–	–	–	330,308	330,308
Exercise of options	221,857	59,756	–	–	281,613
31 December 2020	**28,664,731**	**87,978,166**	**2,683,702**	**(110,015,789)**	**9,310,810**

The notes on pages 62 to 64 form part of these financial statements.

Notes to the Parent Company Financial Statements

For the year ended 31 December 2020

1. Principal accounting policies

These financial statements present the results of Gaming Realms plc for the year ended 31 December 2020.

The Company is the ultimate parent company of the Gaming Realms Group and is admitted to trading on the Alternative Investment Market (AIM) of the London Stock Exchange. It is incorporated and domiciled in the UK. The address of its registered office is Two Valentine Place, London, SE1 8QH.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

The financial statements are prepared under the historical cost convention. No profit and loss account is presented by the Company as permitted by Section 408 of the Companies Act 2006.

The financial statements are prepared in British Pounds Sterling.

Basis of preparation

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2020.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

a) IFRS 2 Share-based Payment disclosure, the share-based payment arrangement concerns its own equity instruments and its separate financial statements are presented alongside the consolidated financial statements of the Group;

b) IFRS 7 Financial Instruments disclosures, given that equivalent disclosures are included in the consolidated financial statements of the Group in which the entity is consolidated;

c) IFRS 13 Fair Value Measurement disclosures;

d) Certain disclosures required by IAS 1 Presentation of Financial Statements, including certain comparative information in respect of share capital movements;

e) IAS 7 Statement of Cash Flows and related notes;

f) IAS 24 Related Party Disclosures relating to key management personnel compensation; and

g) IAS 24 Disclosure of related party transactions entered into between two or more members of a group, given that any subsidiary which is party to the transaction is wholly owned by such a member.

Investments

Investments in subsidiaries and associates are stated at cost less provision for impairment in value, except for investments acquired before 1 October 2013 (date of adoption of IFRS) where shares issued to effect business combinations and the conditions of the Companies Act 2006 are met, merger relief was applied and the resulting investment is recorded at the nominal value of the shares issued.

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Deferred tax is measured at the average tax rates that are expected to apply in the period in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Foreign currencies

Transactions denominated in foreign currencies are recorded at exchange rates as of the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Financial liabilities

Financial liabilities held by the company consist of trade payables, deferred consideration, long-term borrowings and other short-term monetary liabilities, which are held at amortised cost, and derivative liabilities which are held at fair value through profit and loss.

2. Investments

	Investment in subsidiary undertakings £	Investment in associate £	Other investments £
At 1 January 2019	10,897,262	3,000	535,130
Change in fair value	–	–	(245,619)
Disposals	(1)	(3,000)	–
Impairment	(5,769,231)	–	–
At 31 December 2019	5,128,030	–	289,511
Change in fair value	–	–	111,780
Additions	1,089	–	–
Impairment	–	–	–
At 31 December 2020	**5,129,119**	**–**	**401,291**

The £1,089 addition to investments in subsidiary undertakings during the year relates to the incorporation of a 100% owned Maltese subsidiary, Alchemybet Malta Holdings Limited. This entity was incorporated on 30 September 2020.

As part of the Groups transaction with River iGaming plc during the prior year, the Company disposed of its £1 investment in Bear Group Limited. See Note 24 of the consolidated accounts for further information. During the prior year, following the disposal of Bear Group Limited and changes in operations of other subsidiaries, an impairment of subsidiary investments of £5.8m was recognised.

Details of the Company's investments can be found in Note 29 of the consolidated financial statements.

3. Property, plant and equipment

	ROU lease assets £	Leasehold improvements £	Computers and related equipment £	Office furniture and equipment £	Total £
Cost					
At 1 January 2020	644,281	60,968	11,421	19,047	735,717
Additions	10,464	–	–	–	10,464
At 31 December 2020	**654,745**	**60,968**	**11,421**	**19,047**	**746,181**
Accumulated depreciation and impairment					
At 1 January 2020	86,569	7,717	7,921	3,811	106,018
Depreciation charge	136,619	12,194	1,488	6,394	156,695
Impairment	22,876	–	–	–	22,876
At 31 December 2020	**246,064**	**19,911**	**9,409**	**10,205**	**285,589**
Net book value					
At 31 December 2019	557,712	53,251	3,500	15,236	629,699
At 31 December 2020	**408,681**	**41,057**	**2,012**	**8,842**	**460,592**

Notes to the Parent Company Financial Statements

For the year ended 31 December 2020 continued

4. Trade and other receivables

	2020 £	2019 £
Amounts due from Group companies	**15,242,105**	15,127,642
Tax and social security	**12,880**	39,140
Other debtors	**78,865**	18,286
Prepayments and accrued income	**114,275**	66,243
	15,448,125	15,251,311

The balances due from fellow Group companies are repayable on demand and interest free. Management has assessed its receivables from Group companies using a forward-looking expected credit loss model. The methodology used in determining the amount of provision as at the reporting date is that of lifetime expected credit losses which is defined as a credit loss estimate of the present value of cash shortfalls over the expected life of the financial assets (receivables from Group companies). The expected credit loss charge in the year was calculated to be £nil (2019: £15,252).

5. Deferred consideration

See Note 19 of the consolidated accounts for further information.

6. Trade and other payables

	2020 £	2019 £
Creditors: amounts falling due within one year		
Amounts due to Group companies	**8,254,395**	7,487,624
Trade creditors	**139,574**	113,876
Other creditors	**86,267**	86,267
Accruals and deferred income	**339,268**	342,447
Tax and social security	**36,966**	23,591
	8,856,470	8,053,805

7. Other creditors & derivative liability

See Note 23 of the consolidated accounts for further information.

8. Called up share capital

Allotted, called up and fully paid

	2020 Number	2020 £	2019 Number	2019 £
Ordinary shares of 10 pence each	**286,647,315**	**28,664,731**	284,428,747	28,442,874

Allotted and fully paid up

	£
At 1 January 2019 and 1 January 2020	28,442,874
Exercise of options	221,857
At 31 December 2020	**28,664,731**

9. Employee information

The Company had an average of 7 (2019: 8) employees during the year.

The employee costs for the Company were £924,566 (2019: £944,117).

Details of Directors' remuneration can be found in Note 8 of the consolidated financial statements.

10. Related party transactions

During the year £113,333 (2019: £90,000) of consulting fees were paid to Dawnglen Finance Limited, a company controlled by Michael Buckley. No amounts were owed at 31 December 2020 (2019: £nil).

The details of key management compensation are set out in Note 7 of the consolidated financial statements.

Company Information

Directors

Michael Buckley, Executive Chairman

Mark Segal, Chief Financial Officer

Jim Ryan, Non-executive Director

Mark Wilson, Non-executive Director

Chris Ash, Non-executive Director

Mark Blandford, Non-executive Director

Patrick Southon, Chief Executive Officer (resigned 11 February 2020)

Company Secretary

Mark Segal

Auditors

BDO LLP, 55 Baker Street, London, W1U 7EU

Bankers

Barclays Bank plc, 1 Churchill Place, London, E14 5HP

Nominated advisors

Peel Hunt, 120 London Wall, London, EC2Y 5ET

Solicitors

Memery Crystal LLP, 44 Southampton Buildings, London WC2A 1AP

Registrars

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