ASPIRE GLOBAL LIMITED
CONSOLIDATED FINANCIAL STATEMENTS

As at 31 December 2016

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INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Aspire Global Limited

Opinion

We have audited the consolidated financial statements of Aspire Global Limited and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at 31 December 2016 and 2015, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards adopted by EU (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 5 to the consolidated financial statements which describe that the financial statements as at 31 December 2015 and for the year then ended, have been restated to reflect the correction of errors with respect to the accounting treatment of benefits related to funding transactions with a related group, which previously were not accounted for based on fair market value terms as required in transactions with related parties. Our opinion is not modified with respect to this matter.

Responsibilities of Management and Directors

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines 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 management is responsible for assessing the 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 management either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Gibraltar
23 May 2017

BDO Limited

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	For the year ended 31 December 2016	2015 Restated*
		€000, except per share data	
Revenues (including EU VAT)		66,528	64,722
EU VAT		(844)	(618)
Total revenues		65,684	64,104
Distribution expenses		(38,239)	(36,088)
Gaming duties		(2,603)	(2,065)
Administrative expenses	7	(9,666)	(8,897)
EBITDA		15,176	17,054
Amortization and depreciation		(837)	(522)
Non-recurring expenses	13	-	(1,160)
Operating income		14,339	15,372
Interest income and foreign currency exchange differences with respect to funding to a related group	5, 22B	2,750	2,147
Finance income	8A	184	1,512
Finance expenses	8B	(1,240)	(77)
Income before income taxes		16,033	18,954
Income taxes	9	(889)	(1,092)
Net income and comprehensive income		15,144	17,862
Net income and comprehensive income attributable to:			
Equity holders of the Company		15,145	17,873
Non-controlling interests		(1)	(11)
Earnings per share attributable to the equity holders of the Company (€)**:	12		
Basic		0.36	0.43
Diluted		0.36	0.42

* Restated - see Note 5

** On 23 May 2017, the Company completed a 4:1 share split of its share capital and issued 31,495,740 new ordinary shares, which was applied retrospectively for the calculation of the basic and diluted earnings per share.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December 2016	2015 Restated*
		€000	
NON-CURRENT ASSETS			
Property and equipment	14	1,134	1,287
Intangible assets	15	2,772	1,046
Capital notes, loans and accrued interest due from a related group	5	14,152	11,402
Investment in associated company	13	380	-
Deferred income taxes		31	33
		18,469	13,768
CURRENT ASSETS			
Trade receivables	16	5,066	4,797
Other receivables		378	663
Income taxes receivable		4,751	6,764
Related group	22D	511	279
Restricted cash		1,523	999
Cash and cash equivalents	17	12,260	13,692
		24,489	27,194
TOTAL ASSETS		42,958	40,962
Equity attributable to the equity holders of the Company			
Share capital	18	62	62
Share based payment reserve		1,333	1,252
Reserve with respect to funding transactions with a related group		(9,716)	(9,716)
Retained earnings		35,342	25,197
		27,021	16,795
Non-controlling interests		(214)	(213)
TOTAL EQUITY		26,807	16,582
NON-CURRENT LIABILITIES			
Employee benefits		176	154
Loans with respect to leasehold improvements		566	642
		742	796
CURRENT LIABILITIES			
Client liabilities	19	3,016	2,884
Trade and other payables	20	6,840	6,583
Income taxes payable		5,553	7,617
Dividend payable		-	6,500
		15,409	23,584
TOTAL EQUITY AND LIABILITIES		42,958	40,962

* Restated - see Note 5

The financial statements were approved by the Board and authorized for issue on 23 May 2017.

Izhaq Mimon,
Chief Executive
Officer and Director

Pinhas Zahavi,
Director

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to the owners of the Company						
	Share capital and premium	Retained earnings	Share based payments reserve	Reserve with respect to funding transactions with a related group	Total attributable to the owners of the Company	Non-controlling interests	Total equity
				€000			
Balance as at 1 January 2015	27	13,824	1,250	-	15,101	(1,082)	14,019
For the year ended 31 December 2015 Changes in equity for the year:							
Comprehensive income (restated*)	-	17,873	-	-	17,873	(11)	17,862
Dividend	-	(6,500)	-	-	(6,500)	-	(6,500)
Exercise of stock options	35	-	-	-	35	-	35
Loss of control in a subsidiary	-	-	-	-	-	880	880
Benefit to the Company equity holders with respect to funding transactions (restated*)	-	-	-	(9,716)	(9,716)	-	(9,716)
Employee stock option scheme	-	-	2	-	2	-	2
Balance as at 31 December 2015 (restated*)	62	25,197	1,252	(9,716)	16,795	(213)	16,582
For the year ended 31 December 2016 Changes in equity for the year:							
Comprehensive income	-	15,145	-	-	15,145	(1)	15,144
Dividend	-	(5,000)	-	-	(5,000)	-	(5,000)
Employee stock option scheme	-	-	81	-	81	-	81
Balance as at 31 December 2016	62	35,342	1,333	(9,716)	27,021	(214)	26,807

* Restated - see Note 5

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended 31 December	
	2016	2015
		Restated*
	€000	
Cash flows from operating activities:		
Income before income taxes	16,033	18,954
Adjustments for:		
Amortization and depreciation	837	522
Employee stock option scheme expenses	81	2
Non-recurring expenses (see Note 13)	-	1,160
Interest income and foreign currency exchange differences with respect to funding to a related group	(2,750)	(2,147)
Increase in trade receivables	(269)	(486)
Decrease (increase) in restricted cash	(524)	297
Decrease in deferred income taxes	2	28
Increase in other receivables	285	725
Increase in income taxes receivable net of income taxes payable	(110)	(8)
Increase (decrease) in trade and other payables	257	(358)
Increase in loans with respect to leasehold improvements	23	67
Decrease in a related Group	(232)	(279)
Increase in client liabilities	132	465
Increase (decrease) in employee benefits	22	(189)
	13,787	18,753
Income taxes paid, net	(830)	(1,038)
Net cash generated from operating activities	12,957	17,715
Cash flows from investing activities:		
Purchase of property and equipment	(143)	(189)
Investment in intangible assets	(2,267)	(960)
Loans granted to a related group	-	(7,997)
Net cash with respect to loss of control in associated company (see Note 13)	-	(159)
Investment in associated company (see Note 13)	(380)	-
Net cash used in investing activities	(2,790)	(9,305)

* Restated - see Note 5

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the year ended 31 December	
	2016	2015
	€000	
Cash flows from financing activities:		
Repayment of loans with respect to leasehold improvements	(99)	(87)
Exercise of stock options	-	35
Dividends payments to equity holders of the Company	(11,500)	-
Net cash used in financing activities	(11,599)	(52)
Net increase (decrease) in cash and cash equivalents	(1,432)	8,358
Cash and cash equivalents at the beginning of the year	13,692	5,334
Cash and cash equivalents at the end of the year	12,260	13,692
Loss of control in associated company (See Note 13)		
Working capital (excluding cash and cash equivalents)	-	83
Property and equipment	-	38
Non-controlling interests	-	880
Investment in associated company	-	(8,640)
Gain with respect to loss of control on associated company	-	7,480
	-	(159)
Significant non-cash transactions:		
Dividend payable	-	6,500

NOTE 1 – GENERAL

Aspire Global Limited (the “Company”) was incorporated in Gibraltar on 17 December 2003. On 9 May 2017, the Company re-domiciled to Malta. Further, on 23 May 2017, the Company completed a 4:1 share split of its share capital and issued 31,495,740 new ordinary shares.

The Company together with its subsidiaries (the "Group") is a top platform provider which offers a total “all-in-one” solution for online gaming operators. The Group provides an advanced solution combining a robust platform, interactive games, and a set of comprehensive operational services. Gaming operators, affiliates and media companies benefit from flexible cross-platform solutions that include fully managed operations and customized integrations of a vast games offering.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of the financial statements, on a consistent basis, are:

A. Accounting principles

These financial statements have been prepared in accordance with International Financial Reporting Standards including, International Accounting Standards and interpretations (collectively "IFRS") issued by the International Accounting Standards Board (IASB) as adopted by the European Union ("adopted IFRSs").

The consolidated and Company financial statements have been prepared under the historical cost convention, except for derivative financial instruments, funding transactions with a related group and employee stock option scheme, which have been measured at fair value.

B. Comparative information

Comparative figures stated in the statements of comprehensive income, financial position and cash flows have been reclassified to conform to the current year's presentation format for the purpose of adequate presentation, refer also to Note 5 for the restatement.

C. Foreign currency

The financial statements of the Company and its subsidiaries are prepared in Euro (the functional currency), which is the currency that best reflects the economic substance of the underlying events and circumstances relevant to the Group's transactions. Balances in foreign currencies are converted into Euro in accordance with the principles set forth by International Accounting standard (IAS) 21 ("The Effects of Changes in Foreign Exchange Rates"). Accordingly, transactions and balances have been converted as follows:

Financial assets and liabilities - at the rate of exchange applicable at the end of the reporting year;
All other items - at exchange rates applicable as at the date of recognition of those items.

D. Basis of consolidation

Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the Company and its subsidiaries as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

E. Revenue recognition

Revenue generated from online gaming through the Company's various self-owned brands is recognized in the accounting periods in which the transactions occur and is measured at the fair value of the consideration received or receivable, net of certain promotional bonuses and VAT.

In instances of revenue split arrangements where the Company is a principal in the transaction, revenue is recorded on a gross basis and the third party revenues portion related to the sale is recorded within distribution costs as royalties, while in cases where the Company acts as an agent between the customer and the vendor, revenue is recorded net of costs.

Revenue in respect of network service arrangements where a third-party uses the Group’s gaming platform is recognized in the accounting period in which the gaming transactions occur and is measured at the fair value of the consideration received or receivable.

F. Distribution expenses

Distribution expenses represent royalties, customer related acquisition and other costs.

G. Gaming duties

Gaming duties relate to gaming taxes imposed by various EU countries.

H. Income taxes

Provision for income taxes is calculated in accordance with the tax legislation and applicable tax rates in force at the end of the reporting year in the countries in which the Group companies have been incorporated.

Deferred tax assets and liabilities are recognized 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 an asset in a transaction (which is not a business combination) that at the time of the transaction does not affect accounting or taxable profit; and
- Investments in subsidiaries 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.

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

I. Investment in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but does not control or joint control over those policies. The Group's investment in its associate is accounted for using the equity method. Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on the investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognizes the loss as 'Non-recurring expenses' in the Statement of Comprehensive Income.

J. Property and equipment

Property and equipment comprise computers, leasehold improvements, office furniture and equipment, and motor vehicles and are stated at cost less accumulated depreciation.

Depreciation is calculated to write off the cost of fixed assets to their residual amount on a straight line basis over the expected useful lives of the assets concerned. The principal annual rates used for this purpose, which are consistent with those of the previous years, are:

	%
Computers	33
Office furniture and equipment	7
Motor vehicles	17
Leasehold improvements	Over the shorter of the term of the lease and useful lives

Subsequent expenditures are included in the assets carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are recognized in profit or loss.

The residual value and the useful life of an asset are reviewed at least each year-end and the changes are accounted for as a change in accounting estimate on a prospective basis. As for impairment test of fixed assets, see L below.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

K. Intangible assets

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the Statement of Comprehensive Income in the expense category that is consistent with the function of the intangible assets.

1. Intangible assets comprise costs incurred in relation to gaming license applications. Gaming application expenditures incurred are capitalized only where the expenditure will lead to new or substantially improved products or processes, the Group has intention, ability and sufficient resources to complete the intangible asset and use it, the intangible assets will probably generate future economic benefits and the Group has the ability to measure reliably the expenditure attributable to the intangible asset. Gaming license applications are amortized over the license term.

2. Development expenditures on specific projects are recognized as an intangible asset when the Group can demonstrate that:

    - It is technically feasible to develop the product for it to be sold, regardless of whether the entity intends to do so;
    - Adequate resources are available to complete the development
    - There is an intention to complete and use or sell the product
    - The Group is able to use or sell the product
    - The use of product will generate future economic benefits, and
    - Expenditure on the project can be measured reliably.

    Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

    Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognized in the Statement of Comprehensive Income as incurred.

    During 2015, the Group first met the above criteria. During 2016 and 2015 the Group capitalized development cost of €2,080 thousand and €815 thousand, respectively.
    The useful life of the Intangible Assets is between 4-8 years (mainly 8 years) and amortized on a straight line basis over the expected useful lives of the assets concerned.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

L. Impairment of non-financial assets

The Group evaluates the need to record an impairment of the carrying amount of fixed assets and intangible assets whenever events or changes in the circumstances indicate that the carrying amount is not recoverable. If the carrying amount of the above assets exceeds their recoverable amount, the assets are reduced to their recoverable amount. The recoverable amount is the higher of the net sale price and value in use. In measuring value in use, the expected cash flows are discounted using a pre-tax discount rate that reflects the specific risks of the asset. The recoverable amount of an asset that does not generate independent cash flows is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the statement of comprehensive income.

M. Financial assets

The Group classifies its financial assets as loans, receivables and derivatives as discussed below. The Group has not classified any of its financial assets as held to maturity or available for sale.

The Group's financial assets comprise capital notes, loans and accrued interest due from a related group, trade receivables, other receivables, cash and cash equivalents and restricted cash.

Trade receivables principally represent amounts due from payment processors that remit funds on behalf of customers and other types of contractual monetary asset and cash. Carried amounts are netted from an estimate made for bad and doubtful debts based on a review of all outstanding amounts at the period-end. An estimate for doubtful debts is made when there is objective evidence that the Group will not be able to collect amounts due according to the original terms of receivables. Bad debts are written off when identified.

Cash and cash equivalents include cash on hand and deposits held at call with banks with original maturities of three months or less.

Restricted cash mainly include pledges for the Group's leased premises, security deposits for hedging positions and funds held on behalf of gaming players by the Italian Gaming Regulator.

N. Financial liabilities

The Group's financial liabilities are all categorized as financial liabilities measured at amortized cost. Financial liabilities include the following items:

- Loans with respect to leasehold improvements
- Client liabilities due to players for deposits not yet utilized in gaming activity;
- Trade payables and other short-term monetary liabilities which are initially recognized at fair value, net of related expenses and subsequently carried at amortized cost using the effective interest rate method, which ensures that interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the Statement of Financial Position.

O. Derivative financial instruments

The Group uses derivative financial instruments to hedge certain currency cash flow exposures nominated in NIS. The derivative instruments used by the Group consist mainly of call and put options as well as forward foreign exchange contracts.
Derivative financial instruments are recognized in the Statement of Financial Position at fair value. Changes in the fair value of derivative financial instruments are recognized as financing income (expense) in the Statement of Comprehensive Income.
The Group does not comply with hedge accounting with requirements in accordance IAS 39.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

P. Leases

All of the Group's leases are classified as operating leases. Rentals payable under operating leases are charged directly to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term. In September 2011, the Israeli subsidiary entered into a lease agreement for which it received funding from a lessor for leasehold improvements. The funding elements out of the lease payments reduce the loans balances outstanding while the remainder is recorded as rental expenses in the Statement of Comprehensive Income.

Q. Provisions and contingent liabilities

Provisions, which are liabilities of uncertain timing or amount, are recognized when the Group has a legal or constructive obligation as a result of past events, if it is probable that an outflow of funds will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Where the Group has a possible obligation as a result of a past event that may, but probably will not, result in an outflow of economic benefits, no provision is made. Disclosures are made of the contingent liability (which its likelihood to succeed is not remote) including, where practicable, an estimate of the financial effect, uncertainties relating to the amount or timing of outflow of resources, and the possibility of any reimbursement.

Where time value is material, the amount of the related provision is calculated by discounting the cash flows at a pre-tax rate that reflects market assessments of the time value of money and any risks specific to the liability.

R. Employee benefits

The Group employs personnel in Israel and Malta.
The Group's legal commitment for severance and pension payments to its Israeli subsidiary's employees is partially fulfilled by monthly deposits with insurance policies and/or other funds in favor of the employees.

The Israeli subsidiary has adopted the general authorization in accordance with section 14 Severance Pay Law, 1963 ("Section 14"), according to which deposits to the pension funds and/or policies of insurance companies exempt the subsidiary from additional payments. However, the Group's liabilities for severance pay, attributed to certain employees that are not subject to Section 14 are computed on the basis of the employee's most recent salary as at the balance sheet date, in accordance with the Severance Pay Law, and are partially covered by monthly deposits with insurance policies and/or other funds in favor of the employees and the remaining are accrued for in the financial statements. The latter arrangement is applicable also to the Israeli employees who work in a Maltese subsidiary in accordance with their employment agreements.

As most of the Group's employees are covered by Section 14 and due to immateriality, the Group does not use actuarial estimates and calculations for severance obligations. The Group accounts for such employees who are not subject to Section 14, by recording accruals on the full amounts assuming that all of these employees will be terminated as at the balance sheet date of each period (shut-down method).

S. Share capital

Ordinary shares are classified as equity and are stated at the value of the proceeds received net of related expenses.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

T. Reserve with respect to funding transactions with a related group

Transactions with related parties are accounted for based on fair value. Any difference between the nominated value and the fair value arise in transactions with related parties ("benefited transactions") are recorded directly into equity to "Reserve with respect to funding transactions with a related group".

U. Dividend distribution

Dividends are recorded in the Group’s financial statements in the period in which they are approved by the Group’s Board of Directors.

V. Share-based payments

Certain employees participate in the Group's share option plan which commenced in 2008. The fair value of the options granted is charged to profit and loss over the vesting period of the options and the credit is taken to equity, based on the Group's estimate of options that will eventually vest. Fair value is determined by the Black Scholes valuation model. The share options plan does not have any performance conditions other than continued service.

Under the Group’s share option plan, certain employees were granted options which will become exercisable only upon consummation of Merger & Acquisition (“M&A”) or Initial Public Offering (“IPO”) transactions ("Non-Market Vesting Conditions"). The Group accounted for those options as follows:

At the end of each reporting period, the Group considered the likelihood of fulfillment of the Non-Market Vesting Conditions, when estimating the number of options that would be vested, of those granted prior to 30 June 2014. As at 31 December 2016, the likelihood of the Non-Market Vesting Conditions to be fulfilled was not probable; therefore share-based payments expenses have not been recorded.

Effective 1 July 2014, the accounting for non-market vesting conditions was changed for grants made from that date; pursuant to which, the Group considered the likelihood of fulfillment of the Non-Market Vesting Conditions in evaluating the fair value of the options that were granted subsequent to 30 June 2014, and accordingly share based payments expenses were recorded.

W. Non-controlling interests

Non-controlling interest is recognized at the present ownership instruments’ proportionate share in the recognized amounts of the acquiree’s identifiable net assets. The comprehensive income of non-wholly owned subsidiaries is attributed to the equity holders of the Company and to the non-controlling interests in proportion to their relative ownership interests.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

X. Fair value measurement hierarchy

The Group measures certain financial instruments, including derivatives and option scheme expense, at fair value at each balance sheet date. Fair value is the price that would be received or paid in an orderly transaction between market participants at a particular date, either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for that asset or liability accessible to the Group.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The fair value measurement hierarchy is based on the inputs to valuation techniques used to measure fair value. The inputs are categorized 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. The Group financial assets and financial liabilities are classified in their entirety into Level 1 of the three levels except for the derivatives that are classified into Level 2 and capital notes, loans and accrued interest due from a related group are classified into Level 3.

Y. Earnings per share

Basic earnings per share (“EPS”):
Basic EPS is calculated by dividing:

- the profit attributable to owners of the company;
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for ordinary shares issued during the year.

Diluted EPS:
Diluted EPS adjusts the figures used in the determination of basic earnings per share to take into account:

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of options takes place as expected.
- the addition of the shares to be derived from realization must have a dilutive effect

On 23 May 2017, the Company completed a 4:1 share split of its share capital and issued 31,495,740 new ordinary shares, which was applied retrospectively for the calculation of the basic and diluted earnings per share.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Z. New standards, interpretations and amendments not yet effective

The following standards, interpretations and amendments issued by the IASB have not been adopted by the Group as they were not effective for the year. The Group is currently assessing the impact these standards and amendments will have on the presentation of, and recognition in, its consolidated results in future periods:

- Amendments to IAS 7 – Disclosure initiative (effective for accounting periods beginning on or after 1 January 2017).
- Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses (effective for accounting periods beginning on or after 1 January 2017).
- Annual Improvements Process IFRS 12 - Disclosure of Interests in Other Entities (effective for accounting periods beginning on or after 1 January 2017).
- IFRS 9 - Financial Instruments (effective for accounting periods beginning on or after 1 January 2018).
- FRS 15 - Revenue from Contracts with Customers (effective for accounting periods beginning on or after 1 January 2018).
- Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions (effective for accounting periods beginning on or after 1 January 2018).
- Amendments to IAS 40 – Transfer of Investment Property (effective for accounting periods beginning on or after 1 January 2018).
- IFRIC Interpretation 22 – Foreign Currency Transactions and Advance Consideration (effective for accounting periods beginning on or after 1 January 2018).
- Annual Improvements Process IFRS 1 - First-time Adoption of International Financial Reporting Standards (effective for accounting periods beginning on or after 1 January 2018).
- Annual Improvements Process IAS 28 - Investments in Associates and Joint Ventures (effective for accounting periods beginning on or after 1 January 2018).
- IFRS 16 – Leases (effective for accounting periods beginning on or after 1 January 2019).
- Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (in December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting).

NOTE 3 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Included in this note are accounting policies and/or estimates which cover areas that the Directors and Management consider require judgments and/or assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities in the future. These policies together with references to the related notes to the financial statements, which include further commentary on the nature of the estimates and judgements made, can be found below:

Revenue:
The Group applies judgement in determining whether it is acting as a principal or an agent where it provides services to business partners through its business to business unit. In making these judgements the Group considers, by examining each contract with its business partners, which party has the primary responsibility for providing the services and is exposed to the majority of the risks and rewards associated with providing the services, as well as if it has latitude in establishing prices, either directly or indirectly. See also Note 2E.

Funding transactions with a related group:
The fair values of the funding transactions with a related group determined in 2015, the relating reserve with respect to funding transactions with a related group recorded then and the relating interest income recorded in 2015, 2016 and thereafter, were based on discounted cash flow of the anticipating repayments by an annual market interest rate valued by a reputable appraiser. For further details see Notes 2T and 5.

Capitalization of development costs:
Costs relating to internally generated intangible assets, are capitalized if the criteria for recognition as assets are met. The initial capitalization of costs is based on Management's judgment that technological and economic feasibility criteria are met. In making this judgment, Management considers the progress made in each development project and its latest forecasts for each project. For further details see Notes 2K and 15.

Contingent liabilities and regulatory matters:
The Group makes a number of judgements with respect to the accounting for contingent liabilities relating to regulatory matters. For further details see Notes 2Q and 25.

Income taxes:
The Group operates substantially in three countries. The applicability of corporate income taxes of the three jurisdictions and/or the allocation of the Group taxable income to the three jurisdictions, are subject to Management's assessments and judgments, upon consultations with the Group tax advisors. For further details see Notes 2H and 9.

NOTE 3 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT.)

Valuation and impairment charge with respect to Neolotto Limited ("Neolotto"):
On 2 April 2015, Neolotto issued shares to a third party in consideration for €5 million based on pre-money company valuation of €15 million. On 4 September 2015, Neolotto issued shares to the third party in consideration of €3 million, based on pre-money company valuation of €19.4 million, out of which €11 thousand was paid in cash and the remainder in future media services to be provided to the Neolotto group by the investor. Due to difficulties of Neolotto to achieve its business plan, Management did not anticipate positive cash flows from Neolotto, and therefore the investment and the loan granted to Neolotto were fully impaired on 31 December 2015.

During November 2016, Neolotto issued shares in consideration for €600 thousand to the Company (€292 thousand), to Neolotto employees (€88 thousand) which was funded by the Company and to a third party (€220 thousand). As a result, the Company recorded an investment totaled to €380 thousand within its non-current assets, reflecting the then fair value of the investment, valued by a reputable appraiser. For further details see Notes 2I and 13.

Share based payments/compensation:
The relating compensation expenses of stock options vested over service periods, but exercisable only upon consummation of M&A or IPO transactions, granted to employees prior to 30 June 2014, should have been recorded in periods when the likelihood of such transactions to be fulfilled is probable. As at 31 December 2016, the Group's Directors valued such likelihood as not probable, however such likelihood has materialized to be probable in 2017, see Notes 2V above, 10 and 26B for further details.

The relating compensation expenses of stock options, vested over service periods, exercisable only upon consummation of M&A or IPO transactions, granted to employees after 30 June 2014, were recorded based on the fair values of the options, considering the Black-Scholes model assumptions as well as the likelihood of the fulfillment of such transactions at the respective grant dates. Such likelihood was valued by the Group's Directors in the years 2016 and 2015 at 50%. For further details see Note 2V above and Note 10.

NOTE 4 - DEFINITIONS

EBITDA (Earnings before interest, taxes, depreciation and amortization) - Profit before financial income/expense, income taxes, depreciation and amortization.
Average number of employees - number of employees expressed as full-time equivalent (full year's work)
B2B – Business to Business
B2C – Business to Customer

NOTE 5 - RESTATEMENT

The financial statements as at 31 December 2015 and for the year then ended, have been restated to reflect the correction of errors with respect to the accounting treatment of benefits relating to funding transactions with a related group, which previously were not accounted for based on fair market value terms as required in transactions with related parties. Below are the details of the appropriate accounting treatment adopted in these financial statements.

On 30 April 2014 ("Effective Date"), the Group transferred to a related group all the assets related to the iLottery business, valued at €6,130 thousand concluded in 2015 based on a valuation performed by a reputable appraiser. The consideration was determined on 24 April 2015 in a way of 5 year (counted effectively from the Effective Date) two capital notes linked to the exchange rate of the U.S. dollar and bearing an annual interest of 1% to be paid quarterly, commencing as at the second anniversary of the Effective Date (see also Note 22). The terms of the capital notes were below fair market value for such a financial asset, therefore the €3,916 thousand difference of the discounted cash flow to be generated from the capital notes based on a market annual interest rate of 20% ("Market Interest Rate"), determined by a valuation performed by a reputable appraiser amounted to €3,945 thousand ("Fair Value of the Capital Notes"), and their face value, was recorded directly into the statement of changes in equity in 2015 under "Reserve with respect to funding transactions with a related group" as "Benefit to the Company equity holders with respect to funding transaction". Since that date, an interest income was recorded based on the Market Interest Rate on the Fair Value of the Capital Notes.

Additionally, during the first 7 months of 2015 and the year 2014, the Group granted the related group on demand funding with no specified terms, aggregated to €7,997 thousand and €3,968 thousand, respectively.

On 24 April 2015, it was agreed that the above mentioned outstanding amounts as at that date and any further funding, will be repaid back to the Group in 2019 and will be bear 1% annual interest to be paid then, which was below market terms for such financial assets, therefore the difference of €5,800 thousand of the discounted cash flows to be generated from the loans based on the Market Annual Interest amounted to €6,431 thousand in 2015 ("Fair Value of the Loans"), and their face value, were recorded directly into the statement of changes in equity under "Reserve with respect to funding transactions with a related group" as "Benefit to the Company equity holders with respect to funding transaction". Since that date, an interest income was recorded based on the Market Interest Rate on the Fair Value of the Loans.

On 18 May 2017, an agreement was reached between the Company and the related group, pursuant to which, the payment terms were changed such that the outstanding amounts will be repaid in 2018 or 2020 in case of exercise of call option by a shareholder of the related group and if not, in 2022. The new terms are below market terms for such financial assets, therefore the difference of €5,655 thousand of the discounted cash flows to be generated from the outstanding amounts based on the Market Annual Interest amounted to €8,651 thousand ("Fair Value of the Outstanding Amounts"), and their face value, will be recorded directly into the statement of changes in equity under "Reserve with respect to funding transactions with a related group" as "Benefit to the Company equity holders with respect to funding transaction". Since that date, an interest income should be recorded based on the Market Interest Rate on the Fair Value of the Outstanding Amounts.

NOTE 5 – RESTATEMENT (CONT.)

The tables below reflect the corrections:

Statement of Comprehensive Income (affected line items only):

	For the year ended 31 December 2015		
	Previously reported	Adjustments	Restated
		€000	
Interest income and foreign currency exchange differences with respect to funding to a related group	962	1,185	2,147
Finance income	1,460	52	1,512
Finance expense	(194)	117	(77)
Income before income taxes	17,600	1,354	18,954
Total comprehensive income	16,508	1,354	17,862

Statement of Financial Position (affected line items only):

	As at 31 December 2015		
	Previously reported	Adjustments	Restated
		€000	
Capital notes, loans and accrued interest due from a related group	20,253	(8,851)	11,402
Related group	(210)	489	279
Total assets	49,324	(8,362)	40,962
Reserve with respect to benefited transactions with a related group	-	(9,716)	(9,716)
Retained earnings	23,843	1,354	25,197
Total equity	24,944	(8,362)	16,582

NOTE 6 – SEGMENT INFORMATION

Segmental results are reported in a manner consistent with the internal reporting provided to Management. The operating segments identified are:

- B2B
- B2C

Management assess the performance of operating segments based on revenues and segment results. Segment results contain revenues net of royalties and acquisitions expenses for the B2B and B2C segments, respectively.

	For the year ended 31 December 2016		
	B2B	B2C	Total
		€000	
Revenues (including EU VAT)	31,652	34,876	66,528
EU VAT	(202)	(642)	(844)
Total revenues	31,450	34,234	65,684
Segment results	9,033	16,203	25,236
Unallocated expenses:			
Operating expenses			(10,060)
EBITDA			15,176
Amortization and depreciation			(837)
Operating income			14,339
Interest income and foreign currency exchange differences with respect to funding to a related group			2,750
Finance income			184
Finance expenses			(1,240)
Income before income taxes			16,033

NOTE 6 – SEGMENT INFORMATION (CONT.)

	For the year ended 31 December 2015		
	B2B	B2C	Total
		€000	
Revenues (including EU VAT)	32,264	32,458	64,722
EU VAT	(72)	(546)	(618)
Total revenues	32,192	31,912	64,104
Segment results	10,125	16,172	26,297
Unallocated expenses:			
Operating expenses			(9,243)
EBITDA			17,054
Amortization and depreciation			(522)
Non-recurring expenses			(1,160)
Operating income			15,372
Interest income and foreign currency exchange differences with respect to funding to a related group			2,147
Finance income			1,512
Finance expenses			(77)
Income before income taxes			18,954

NOTE 7 – ADMINISTRATIVE EXPENSES

	For the year ended 31 December	
	2016	2015
	€000	
Staff expenses	6,489	6,057
Research and development services from a related group (see Note 22D)	618	78
Legal and accounting	603	530
Rent and maintenance	602	609
Professional services	308	338
Other operating expenses	1,046	1,285
	9,666	8,897

NOTE 8 – FINANCE INCOME AND EXPENSES

	For the year ended 31 December	
	2016	2015
	€000	
A. Finance income:		
Financing income on derivative financial assets	70	1,355
Bank interest received and other	114	105
Currency exchange rate differences	-	52
	184	1,512
B. Finance expenses:		
Currency exchange rate differences	1,070	-
Bank charges	56	33
Other	114	44
	1,240	77
Net finance income (expenses)	(1,056)	1,435

NOTE 9 – INCOME TAXES

	For the year ended 31 December	
	2016	2015
	€000	
Income taxes:		
Current income taxes	929	1,084
Income taxes with respect to previous years	(49)	-
Deferred taxes	9	8
Total	889	1,092

NOTE 9 – INCOME TAXES (CONT.)

The total charge for the year can be reconciled to accounting profit as follows:

	For the year ended 31 December	
	2016	2015
	€000	
Income before income taxes	16,033	18,954
Income taxes at effective tax rate in Gibraltar (0%)	-	-
Different tax rates applied in overseas jurisdictions	889	1,092
	889	1,092

The corporate tax liabilities in various tax jurisdictions are recorded in the Corporation Tax Payable balance on the Consolidated Statement of Financial Position.

Gibraltar:
The Company was tax registered in Gibraltar until 9 May 2017. In Gibraltar, the Group benefited from the exempt company regime. From 1 January 2011 onwards, the Group was subject to the Gibraltar corporation tax at 10% on profits derived from activities carried out in Gibraltar. The Group subsidiaries are located in different tax jurisdictions and are taxed on their operating profit for local taxation purposes.

Malta:
The subsidiaries in Malta are subject to corporate tax rate in Malta of 35%, however according to Maltese tax regime certain portion of the Maltese tax payable amounts is refundable upon meeting certain criteria defined under the Maltese tax ordinance inter alia of dividend distributions. Receivable tax amounts are recorded in the Corporation Tax receivable balance on the Consolidated Statement of Financial Position.

Israel:
The subsidiaries in Israel are subject to corporate tax rates in Israel of 26.5% in 2015, 25% in 2016, 24% in 2017 and 23% in 2018 thereafter.

NOTE 10 – STAFF COSTS AND BENEFITS

Total staff costs comprise the following:

	For the year ended 31 December	
	2016	2015
	€000	
Salaries and wages	5,349	4,630
Employer social contributions	1,059	1,425
Share based compensation	81	2
	6,489	6,057

	2016	2015
Average number of employees	Number	
Acquisition, sales and marketing	47	51
Operations	80	78
Research and development*	10	41
Management and general	13	16
	150	186

* Commencing 2015 The Group has partially outsourced its research and development activities.

The Group has an employee share option plan ("ESOP") for granting to certain employees of non-transferable options to be exercised to the Company's shares, upon satisfaction of their vesting and exercise terms.

The following tables present the required information with respect to the ESOP:

	2016		2015	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at the beginning of the year	619,200	€2.00	463,700	€2.00
Granted during the year	-	€2.00	201,000	€2.00
Forfeited	(39,200)	€2.00	(28,000)	€2.00
Exercised	-	€2.00	(17,500)	€2.00
Outstanding at the end of the year	580,000	€2.00	619,200	€2.00
Exercisable	64,400	€2.00	68,100	€2.00

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 – STAFF COSTS AND BENEFITS (CONT.)

Share options outstanding at the end of the year have the following exercise prices and periods:

Grant date	Expiry date	Exercise price	31 December 2016	31 December 2015
			Number	
3 April 2008	3 April 2018	€2.00	33,100	36,300
17 August 2008	17 August 2018	€2.00	1,000	1,000
1 April 2009	1 April 2019	€2.00	6,000	6,000
1 April 2010	1 April 2020	€2.00	1,800	1,800
23August 2010	23August 2020	€2.00	15,000	15,000
28 January 2011	28 January 2021	€2.00	6,000	6,000
8 August 2011	8 August 2021	€2.00	1,500	2,000
3 November 2011	3 November 2021	€2.00	187,600	189,100
19 December 2012	19 December 2022	€2.00	21,000	21,000
7 February 2014	7 February 2024	€2.00	75,000	75,000
7 July 2014	7 July 2024	€2.00	13,000	13,000
8 August 2014	8 August 2024	€2.00	-	14,000
30 October 2014	30 October 2024	€2.00	28,000	38,000
19 November 2015	19 November 2025	€2.00	191,000	201,000
			580,000	619,200

* All of the options granted since 3 November 2011 have exercisability terms which are pending either M&A transaction or IPO (regardless of whether vesting periods have been met).

The group recorded €81 thousand and €2 thousand employee stock option scheme expenses during the years ended 31 December 2016 and 2015, respectively.

The fair values of the options granted after 30 June 2014, were calculated based on the Black-Scholes model, utilizing the following assumptions (the range captures the assumptions for the two years ended 31 December 2015): Stock price €5.25- €6.30, Expected term (years) 5.5-6.5 years, Volatility 47%-50%, Dividend yield 17% and risk free rate (0.1%) – 0.4% as well as a 50% likelihood for fulfillment of M&A or IPO transactions.

NOTE 11 - AUDITOR FEES AND EXPENSES

BDO Limited is the selected auditor of the Group. The following remuneration is a summary of the audit and related fees recorded during 2016 and 2015 as part of the consolidated statement of comprehensive income:

	For the year ended 31 December	
	2016	2015
	€000	
Audit fees	77	52
Related fees	20	27
	97	79

NOTE 12 – EARNINGS PER SHARE

	For the year ended 31 December	
	2016	2015
	€000, except per share data and number of shares	
Basic and Diluted earnings per share:		
Net income attributable to the equity holders of the Company	15,145	17,873
Weighted average number of ordinary shares issued*	41,994,320	41,959,320
Dilutive effect of share options*	661,938	783,163
Weighted average number of dilutive ordinary shares*	42,656,258	42,742,483
Basic earnings per share (€)	0.36	0.43
Diluted earnings per share (€)	0.36	0.42

* On 23 May 2017, the Company completed a 4:1 share split of its share capital and issued 31,495,740 new ordinary shares, which was applied retrospectively for the calculation of the basic and diluted earnings per share.

NOTE 13 – INVESTMENT IN ASSOCIATED COMPANY

Neolotto was founded in 2013 and provides state licensed lottery via interactive platforms, comprehensive solutions and services for leading lottery providers.

On 2 April 2015, Neolotto issued shares to a third party in consideration for €5 million. As a result, the Company's interest in Neolotto has decreased from 57.6% to 43.2%. Following Management's analysis of its control over Neolotto, it was concluded that the Company has effectively ceased the control over Neolotto. Hence, on 2 April 2015, the Company ceased the consolidation of Neolotto, the investment has been accounted for under the equity method and a gain of €7,480 thousand was recorded.

On 4 September 2015, Neolotto issued shares to the third party in consideration of €3 million out of which €10 thousand was paid in cash and the remainder in future media services to be provided to the Neolotto group by the investor. As a result, the Company's interest in Neolotto has decreased to 37.4% and a loss of €256 thousand was recorded.

During 2015 the Group recorded €1,340 thousand equity loss. Due to difficulties of Neolotto to achieve its business plan, Management did not anticipate positive cash flows from Neolotto, and therefore the investment and the loan granted to Neolotto were fully impaired by €7,044 thousand on 31 December 2015.

During November 2016, Neolotto issued shares in consideration for €600 thousand to the Company (€292 thousand), to Neolotto employees (€88 thousand) which was funded by the Company and to a third party (€220 thousand). As a result, the Company recorded an investment totaled to €380 thousand within its non-current assets and its interest in Neolotto had increased to 37.6%.

On 17 May 2017, Neolotto raised €300 thousand loans from its shareholders; the Company lent Neolotto €200 thousand and the remainder by a third party. Such loans shall bear interest, compounded annually from the date of disbursement to the date of their full and final repayment at a rate of 6% per annum. The loans and the interest shall be repaid by Neolotto on 17 May 2018 or prior to that in an IPO or M&A transactions as defined in the agreement.

NOTE 14 – PROPERTY AND EQUIPMENT

	Computers	Office furniture and equipment	Motor vehicles	Leasehold improvements	Total
			€000		
Cost -					
As at 1 January 2016	1,253	460	27	1,324	3,064
Additions	109	2	5	27	143
As at 31 December 2016	1,362	462	32	1,351	3,207
Accumulated depreciation -					
As at 1 January 2016	1,099	147	14	517	1,777
Additions	117	32	1	146	296
As at 31 December 2016	1,216	179	15	663	2,073
Net Book Value -					
As at 31 December 2016	146	283	17	688	1,134

	Computers	Office furniture and equipment	Motor vehicles	Leasehold improvements	Total
			€000		
Cost -					
As at 1 January 2015	1,150	437	27	1,306	2,920
Additions	148	23	-	18	189
Deconsolidation of a subsidiary	(45)	-	-	-	(45)
As at 31 December 2015	1,253	460	27	1,324	3,064
Accumulated depreciation -					
As at 1 January 2015	979	116	14	392	1,501
Depreciation	127	31	-	125	283
Deconsolidation of a subsidiary	(7)	-	-	-	(7)
As at 31 December 2015	1,099	147	14	517	1,777
Net Book Value -					
As at 31 December 2015	154	313	13	807	1,287

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15 – INTANGIBLE ASSETS

	Gaming licenses	Capitalized development costs	Total
Cost -			
As at 1 January 2016	578	815	1,393
Additions	187	2,080	2,267
As at 31 December 2016	765	2,895	3,660
Accumulated amortization -			
As at 1 January 2016	294	53	347
Additions	255	286	541
As at 31 December 2016	549	339	888
Net Book Value -			
As at 31 December 2016	216	2,556	2,772

	Gaming licenses	Capitalized development costs	Total
Cost -			
As at 1 January 2015	433	-	433
Additions	145	815	960
As at 31 December 2015	578	815	1,393
Accumulated amortization -			
As at 1 January 2015	108	-	108
Additions	186	53	239
As at 31 December 2015	294	53	347
Net Book Value -			
As at 31 December 2015	284	762	1,046

NOTE 16 – TRADE RECEIVABLES

	As at 31 December	
	2016	2015
	€000	
Payment processors receivables	4,749	4,247
Trade receivables	317	550
	5,066	4,797

The directors consider that the carrying amount of trade receivables approximates to their fair values, which is based on estimation of amounts recoverable.

NOTE 17 – CASH AND CASH EQUIVALENTS

	As at 31 December	
	2016	2015
	€000	
Cash at bank	10,201	11,851
Funds attributed to players deposits reserves	2,059	1,841
	12,260	13,692

The Group's cash and cash equivalents are invested in short term daily deposits denominated mainly in Euros with major international banks.

Funds attributed to players represent cash balances used mainly as security deposits to cover future players payment commitments.

NOTE 18 – SHAREHOLDERS' EQUITY

	As at 31 December	
	2016	2015
Share Capital	Number of Shares	
Share capital is comprised of shares at £0.01 par value as follows:		
Authorized	1,000,000,000	1,000,000,000
Issued	10,498,580	10,498,580
Fully paid	10,498,580	10,498,580

On 23 May 2017, the Company completed a 4:1 share split of its share capital and issued 31,495,740 new ordinary shares as follows:

	As at 23 May 2017
	Number of Shares
Share capital is comprised of shares at £0.01 par value as follows:	
Issued	41,994,320
Fully paid	41,994,320

NOTE 18 – SHAREHOLDERS' EQUITY (CONT.)

On 28 December 2015, the Company's Board of Directors declared a dividend in the amount of €6.5 million to the Company's shareholders. The dividend was paid in January 2016.

On 6 April 2016, the Company's Board of Directors declared a dividend in the amount of €5 million to the Company's shareholders. The dividends were paid in April and May, 2016.

On 18 May 2017, the Company's Board of Directors declared a dividend in the amount of €6 million to the Company's equity holders. The dividend has not been paid as of the date of this report.

Reserves

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

Reserve	Description and purpose
Retained earnings:	Cumulative net gains and losses recognized in the consolidated Statement of Comprehensive Income net of dividend declared.
Share-based payments:	Share based payments reserve represents the accumulated expenses recognized with respect to the outstanding share options at the end of the year.
Non-controlling interests:	Interests of other shareholders in certain subsidiaries.
Reserve with respect to funding transactions with a related group:	See Note 5

NOTE 19 – CLIENT LIABILITIES

Client liabilities represent amounts due to customers including net deposits received, undrawn winnings and certain promotional bonuses. The carrying amount of the client liabilities approximate to their fair value which is based on the net present value of expected future cash flows.

NOTE 20 – TRADE AND OTHER PAYABLES

	As at 31 December	
	2016	2015
	€000	
Accrued expenses	2,542	2,089
Royalty payables	1,350	1,688
Trade payable	1,129	800
Employees payable	618	716
Value added tax	445	369
Other payables	756	921
	6,840	6,583

The carrying amount of trade and other payables approximates their fair value which is based on the net present value of expected future cash flows.

NOTE 21 – OPERATING LEASE COMMITMENTS

The total future minimum lease payments under non-cancellable operating lease agreements are analyzed below:

	As at 31 December	
	2016	2015
	€000	
Within one year*	1,222	1,163
Later than one year but not later than five years*	3,276	690
	4,498	1,853

* See A below for reimbursement from a related group

All operating lease commitments relate to buildings and operating car lease arrangements. Here are the current lease arrangements:

A. In September 2011, the Israeli subsidiary entered into a lease agreement for office space. The agreement commenced in January 2012 for a period of sixty months with an option to renew for an additional fifty seven months. The annual lease payment is approximately €625 thousand and is linked to the Israeli consumer price index ("ICPI") such annual payment should increase by 6% during the option period. In September 2016 the subsidiary realized such option. Commencing April 2015, all expenses related to the above lease agreement are charged to a related group which is the user of this office space.

B. In February 2015, the Israeli subsidiary entered into a new lease agreement for office space for a term of thirty four months with an annual lease payment of approximately €275 thousand linked to the ICPI.

C. In October 2009, the Maltese subsidiaries entered into a lease agreement for office space. The agreement commenced in May 2010 for a period of forty four months with an option to extend the lease period for additional four fixed periods of one year each, those options were realized by the subsidiary. In December 2015 the subsidiary signed an extension notice for additional year, all together up to 31 December 2018. The 2016 annual rent was approximately €168 thousand.

NOTE 22 – RELATED PARTIES

A. Barak Matalon, Pinhas Zahavi, Eli Azur and Aharon Aran are the Principal Shareholders of the Group. During the periods, the Principal Shareholders, and corporate entities controlled by the Principal Shareholders, did not receive any remuneration in the form of salary, bonuses or consulting fees except for one of them who is also an executive who has been engaged as a consultant. The consulting fees for the years ended 31 December 2016 and 2015 amounted to €128 thousand and €143 thousand, respectively.

B. On 30 April 2014 (the "Effective Date"), the Group transferred to a related group all the assets related to the iLottery business (see also Note 5), primarily include intellectual properties, licenses and certain rights, workforce as well as assignment of its employment rights.

C. For details on certain funding transactions, see Note 5. Any funding or outstanding balances relating to services and other, provided by the Group to the related group after 7 August 2015 have been repaid on a current basis.

NOTE 22 – RELATED PARTIES (CONT.)

D. Other transactions:

In 2016, the Group consumed development services from a related group aggregated to €2,080 thousand which were capitalized as an intangible asset. Additionally, the Group consumed research and development services from the related group aggregated to €618 thousand which were recorded as research and development services from a related group within administrative expenses. Furthermore, the Group was entitled for a reimbursement of certain administrative expenses and rent and related aggregated to €293 thousand and €1,072 thousand, respectively which were recorded as a deduction of the staff expenses and rent and maintenance within administrative expenses, respectively.

In 2015, the Group consumed development services from a related group aggregated to €815 thousand which were capitalized as an intangible asset. Additionally, the Group consumed research and development services from the related group aggregated to €78 thousand which were recorded as research and development services from a related group within administrative expenses. Additionally, the Group was reimbursed on services provided to the related group by its staff aggregated to €3,040 thousand and on rent and related aggregated to €1,151 thousand, which were recorded as a deduction of the staff expenses and rent and maintenance, respectively, within administrative expenses.

NOTE 23 – SUBSIDIARIES AND ASSOCIATE

Details of the Group's subsidiaries as at the end of the years 2016 and 2015 are set out below, except for Neolotto, see Note 13 above:

Name	Country of incorporation	Proportion of voting rights and ordinary share capital held	Nature of business
Aspire Global International Limited	Malta	100%	Maltese-licensed B2C trading company
AG Software Ltd	Malta	100%	Maltese-licensed B2B trading company
Aspire Global Marketing Solutions Ltd	Israel	100%	Provides certain marketing and customer support service to Aspire Global Limited
AG Communications Limited	Malta	100%	B2C trading company holding licenses in Italy and Denmark
Utopia Management Group Ltd	British Virgin Islands	100%	Provides certain marketing and acquisition services
ASG Technologies Ltd.	British Virgin Islands	100%	Acts as a nominee with respect to the registration of certain domains owned by the Group
Novogoma Ltd	Malta	83%	Social online gaming trading company
Novogoma Technologies Ltd	Israel	83%	Designs and develops social online gaming software platform
Neolotto Ltd	Malta	37.6%	Online lottery tickets reseller focused on the German market

All the Subsidiaries are held by the company, except for Novogoma Technologies Ltd which held by Novogoma Ltd.

NOTE 24 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group is exposed to a variety of financial risks, which result from its financing, operating and investing activities. The objective of financial risk management is to minimize exposures in these financial risks and to mitigate a negative impact on the Group’s financial performance and position. The Group’s financial instruments are its:

- Loans and accrued interest due from related group
- Trade receivables
- Other receivables
- Cash and cash equivalents
- Restricted cash
- Loans with respect to leasehold improvements
- Client liabilities
- Trade and other payables

	As at 31 December	
	2016	2015
	€000	
Financial assets:		
Loans and accrued interest due from related group	14,152	11,402
Trade receivables	5,066	4,797
Other receivables	378	663
Cash and cash equivalents	12,260	13,692
Restricted cash	1,523	999
Total	33,379	31,553
Financial liabilities:		
Loans with respect to leasehold improvements	566	642
Client liabilities	3,016	2,884
Trade and other payables	6,840	6,583
Total	10,422	10,109

Capital
The capital employed by the Group is substantively composed of equity attributable the equity holders of the Company. The primary objective of the Group is maximising shareholders' value, which, from the capital perspective, is achieved by maintaining the capital structure most suited to the Group's size, strategy, and underlying business risk.

The risks arising from the Group’s financial instruments are mainly credit risk, currency risk and liquidity risk. The risk management policies employed by the Group to manage these risks are discussed below.

a. Credit risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the end of the reporting year.

The Group closely monitors the activities of its counterparties enabling it to ensure the prompt collection of processor and customer balances. Furthermore the Company engages only with reputable payment service providers. These are third party companies that facilitate deposits and withdrawals of funds to and from customers. These are mainly intermediaries that transact on behalf of the main credit card companies. The company also has transparency to the performance and the results of the related group.

NOTE 24 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.)

b. Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

Foreign exchange risk also arises when Group operations are entered into in currencies denominated in a currency other than the functional currency.

Transaction exposures: The Group's policy is that all material transaction currency exposures are economically hedged using foreign exchange contracts and/or by holding cash in the relevant currency. Additionally, the Group has discretion to hedge some or all of its forecast operational costs in Israel up to 12 months. Currency exposures are monitored by the Group on a monthly basis.

Sensitivity analysis to currency and interest rate risk

The Group has not presented a sensitivity analysis for the impact on its statement of comprehensive income of potential movements in interest rates, as in the opinion of the directors, the change in the fair value of its financial instruments would be negligible.

Any change in the currency exchange rates will cause a respective change on the relating asset or liability and accordingly will affect the statement of comprehensive income.

The tables below details the monetary assets and liabilities by currency:

	As at 31 December 2016					
	EUR	GBP	USD	ILS	Others	Total
	€000					
Assets:						
Capital notes, loans and accrued interest due from a related group	-	-	14,152	-	-	14,152
Trade receivables	3,305	607	36	-	1,118	5,066
Other receivables	273	24	16	64	1	378
Cash and cash equivalents	6,910	2,319	31	68	2,932	12,260
Restricted cash	890	80	-	553	-	1,523
Monetary assets	11,378	3,030	14,235	685	4,051	33,379
Liabilities:						
Loans with respect to leasehold improvements	-	-	-	566	-	566
Client liabilities	875	1,141	207	-	793	3,016
Trade and other payables	5,905	39	33	724	139	6,840
Monetary liabilities	6,780	1,180	240	1,290	932	10,422

NOTE 24 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.)

	As at 31 December 2015					
	EUR	GBP	USD	ILS	Others	Total
	€000					
Assets:						
Capital notes, loans and accrued interest due from a related group	-	-	11,402	-	-	11,402
Trade receivables	2,885	674	99	-	1,139	4,797
Other receivables	320	117	10	123	93	663
Cash and cash equivalents	8,677	1,778	68	115	3,054	13,692
Restricted cash	896	93	-	10	-	999
Monetary assets	12,778	2,662	11,579	248	4,286	31,553
Liabilities:						
Loans with respect to leasehold improvements	-	-	-	642	-	642
Client liabilities	1,065	924	233	-	662	2,884
Trade and other payables	5,492	-	40	856	195	6,583
Monetary liabilities	6,557	924	273	1,498	857	10,109

NOTE 24 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT.)

c. Liquidity risk

Liquidity risk exists where the Group might encounter difficulties in meeting its financial obligations as they become due. The Group monitors its liquidity in order to ensure that sufficient liquid resources are available to allow it to meet its obligations.
The following table details the contractual maturity analysis of the Group's financial liabilities:

	As at 31 December 2016				
	On demand	In 3 months	Between 3 months and 1 year	More than 1 year	Total
			€000		
Loans with respect to leasehold improvements	-	-	-	566	566
Client liabilities	3,016	-	-	-	3,016
Trade and other payables	-	6,089	751	-	6,840
Total	3,016	6,089	751	566	10,422

	As at 31 December 2015				
	On demand	In 3 months	Between 3 months and 1 year	More than 1 year	Total
			€000		
Loans with respect to leasehold improvements	-	-	-	642	642
Client liabilities	2,884	-	-	-	2,884
Trade and other payables	-	5,813	770	-	6,583
Total	2,884	5,813	770	642	10,109

NOTE 25 - CONTINGENT LIABILITIES

The Group is a gaming operator and provides gaming services to players. As part of Management's ongoing regulatory compliance process, Management continues to monitor legal and regulatory developments and their potential impact on the Group's operations. Given the changing nature of the legal and regulatory landscape of the online gaming industry, the Group from time to time has been challenged by certain regulatory authorities in respect of its activities in certain jurisdictions.

During 2013, Aspire Global International Limited, a subsidiary, was issued a fine in the amount of €300 thousand by certain European Court for the 11 Section due to alleged violation of Act 2010-476. The subsidiary appealed the ruling, and a hearing of its appeal was held before the appellate court on 13 January 2017, acquitting the subsidiary. The ruling was subject to appeal for a 10 day period and no appeal was filed, therefore the acquittal became final and irrevocable. As a result, the Group reversed in 2017 the €300 thousand accrual recorded in 2013. In addition, due to the change in the regulatory environment in connection with the Group's business in the certain European country, the Group decided to cease its operations there commencing May 2017.

NOTE 26 - SUBSEQUENT EVENTS

A. On 23 January 2017, the Company's Board of Directors declared a dividend in the amount of €6 million to the Company's shareholders. This amount was not recognized as distribution to the owners in the period. The dividend was paid during February 2017.

B. In February 2017, the Company's Board of Directors resolved that the Company will explore certain equity transactions including initial public offering on a European stock exchange.

C. In February 2017, the Company, through its wholly owned subsidiary (the "Acquirer"), acquired 30% of the shares of Minotauro Media Limited ("MML") for a total consideration of €1,183 thousand, of which €828 thousand was paid on 3 February 2017 and the remainder in the next few months. MML is engaged in the business of marketing and promoting online gaming services via its domain names. The Acquirer was granted a call option for the remaining 70% of MML and the seller was granted a put option, exercisable from August 2018 to June 2021, based on a multiple of 6 times of the exit EBITDA of MML capped at €12.6 million, as described in the shareholders' agreement.

D. On 8 May 2017 the Israeli subsidiary entered into a lease agreement for office space. The agreement commenced in September 2017 for a period of sixty months with an option to renew for an additional sixty months. The annual lease payment and related is approximately €430 thousand and is linked to the Israeli consumer price index ("ICPI") such annual payment should increase by 5% during the option period.