INNOVATION LABS LIMITED

Annual Report and Financial Statements
31 December 2022

Company Registration Number: C44130

Directors' report

The directors present their report and the audited financial statements of Innovation Labs Limited (the "Company") for the year ended 31 December 2022.

Principal activities and developments

The Company's principal activity during the year was to attract users and direct traffic to other companies engaged in online activities and services through marketing, advertising, affiliation and client procurement techniques.

AskGamblers

In December 2022, the Company signed an agreement to acquire the casino affiliate websites Askgamblers.com, Johnslots.com, Newcasinos.com and several smaller domains from Catena Media Plc, an unrelated third party. The total consideration is EUR 45 million, of which EUR 20 million was paid in cash on closing, EUR 10 million was paid twelve months after closing and the EUR 15 million balance will be paid twenty-four months after closing. Closing was completed on 31 January 2023.

The transaction was structured by way of a Share Purchase Agreement (SPA) with the Company and included the acquisition of the two companies Catena Publishing Ltd (Malta) and Catena Media D.O.O. Beograd (Serbia).

Gentoo Media p.l.c. (formerly Gaming Innovation Group p.l.c.) (the 'Group' or 'Gentoo') has financed the initial consideration through a combination of own cash, (EUR 8.8 million), a revolving credit facility (RCF) of EUR 1.0 million and existing shareholders have committed to a EUR 10.2 million share issue.

Askgamblers.com is an award-winning website recognised as a well-trusted website source in the iGaming industry with strong brand recognition by users. Johnslots.com and Newcasinos.com build on the Company's strategy to diversify its business and portfolio of assets.

The acquisition diversified the Company's revenue streams in line with the strategy to create sustainable long-term growth and provided the business with several key strategic assets and multiple revenue opportunities. The acquired websites are strong in markets that currently are non-core markets for the Company, therefore expanding our current geographical reach. Further to the revenue growth potential, operational synergies are expected to continue be realised via the shared use of marketing technologies, business intelligence systems and key functions.

Performance Marketing

In December 2022, the Group entered into a new commercial partnership with News Corp UK & Ireland Limited for sports betting and casino content to their premium media websites The Sun and talkSPORT. Management believes that this partnership will generate significant revenue in the future especially in the UK, Irish and US markets.

During Q2 2022, the Group was awarded "best casino affiliate" award at the IGB Affiliate Awards in London.

Financial statements presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and in accordance with the Maltese Companies Act (Cap. 386).

Directors' report - continued

Overall company's performance

The Company's performance was positive where revenues increased by 26% during the year whilst operating expenses increased by 23%. This resulted in an overall increase in EBITDA from EUR 19.2 million in 2021 to EUR 24.0 million in 2022. This increase in EBITDA is attributed mainly to the improved efficiency of marketing spend where 26% increase in revenue was achieved by maintaining similar levels of EBITDA margin with prior year.

Net revenues

Net revenues in 2022 increased to EUR 40.3 million (2021: EUR 31.9 million) which is equivalent to an increase of 26%.

Operating expenses

During 2022, total operating expenses increased when compared to previous year to a total cost of EUR 21.9 million (2021: EUR 17.9 million). This includes marketing costs of EUR 4.7 million (2021: EUR 2.7 million), depreciation and amortisation cost of EUR 5.5 million (2021: EUR 5.2 million), EUR 2.8 million (2021: EUR 3.3 million) of personnel expenses and other operating expenses amounting to EUR 8.8 million (2021: EUR 6.7 million). The increased spend in marketing costs had a direct positive impact on the revenue generated during the year.

Other operating expenses increased mainly due to intra-group service fees amounting to EUR 6.1 million. These are central costs incurred by a fellow subsidiary and recharged respectively throughout the year based on a systematic manner. During the current year, intra group recharges were posted as service fee intra-group. In the preceding year, intra-group recharges (totalling EUR 4.7 million) were allocated to difference costs categories.

Profit from operations

Profit before tax for the year 2022 amounted to EUR 18.3 million (2021: EUR 14.0 million).

Pledging of securities

With effect from 19 December 2023, Gentoo Media p.l.c. (formerly Gaming Innovation Group p.l.c.) as the immediate parent company pledged 100% of its shareholding in the Company to Nordic Trustee AS as security agent and bond trustee. Nordic Trustee AS is registered in Oslo, Norway having a registration number of 963 342 624.

Legal environment

It is the Company's view that the responsibility for compliance with laws and regulations rests with the customer. Although gaming laws and regulations of many jurisdictions do not specifically apply to the supply of affiliation services, certain countries have sought to regulate or prohibit the supply of such services. The Company may therefore be subject to such laws, directly or indirectly. The Company mitigates this risk through monitoring of legal developments, contractual arrangements, and by seeking external advice to assist with the assessment of risk exposures as appropriate.

In addition to the above, the Company faces the risk that customers are not able to pay for the services rendered when these fall due. Also, the Company faces operational risks arising from Google's changes of its algorithm that could temporarily impact rankings, and hence also impact revenues.

Directors' report - continued

Events after the reporting period

Strategic review

In February 2023, the Board of the Company's ultimate parent had decided to initiate a strategic review with the intention to split the Group into two main business segments. The purpose of the split was to sharpen the focus for each business segment, optimise growth opportunities and ensure each business can benefit from the strategic and financial flexibility of their distinctive business models. The split which took place on 30 September 2024 resulted in two separate industry leading businesses with the potential to grow much faster.

AskGamblers acquisition

As already disclosed earlier within this report, closing of the AskGamblers acquisition was completed on 31 January 2023.

KaFe Rocks acquisition

On 21 December 2023, the Group acquired KaFe Rocks Ltd. and its subsidiaries, a prominent iGaming affiliate boasting multiple Power Affiliate top 10 rankings. The purchase price was EUR 35 million, consisting of a EUR 15 million upfront cash payment and EUR 20 million divided in four semi-annual payments over 24 months with an added earn-out if specific performance targets are met. The Group financed the initial consideration through the issue of a new bond in December 2023.

The transaction was structured by way of a Share Purchase Agreement (SPA) with the Company and included the acquisition of the three companies Digital World Ltd., Time2Play Media Ltd, and KaFe Rocks USA LLC. The acquisition diversified the Company's revenue streams in line with the strategy to create sustainable long-term growth and provide the business with several key strategic assets and multiple revenue opportunities.

Casinomeister.com acquisition

In June 2024, the Company acquired the casino affiliate website Casinomeister.com with an effective date from 1 June 2024. The transaction was structured as an asset purchase with a total consideration of EUR 3 million, that was paid in cash in July 2024.

Titan Inc. acquisition

In August 2024, the Company acquired Titan Inc.. The acquisition was structured with a total price of EUR 3.2 million, comprising an initial payment of EUR 1.1 million that was paid on closing, followed by two yearly installments of EUR 1.05 million to be paid after twelve and twenty-four months respectively.

Mr. Cashback acquisition

In September 2024, the Company acquired two minor casino affiliate websites (Mr. Cashback) effective from 30 September 2024. The transaction was structured as an asset purchase with a total consideration of EUR 2.7 million. EUR 0.9 was paid in Q3 2024, and the remaining was paid in October 2024.

Financial risk management

Information on the Company's financial risk management is disclosed in Note 2 of the financial statements.

Directors' report - continued

Results and dividends

The financial results are set out on page 11. The directors did not declare a dividend (2021: EUR nil). The directors propose that the balance of retained earnings amounting to EUR 55,540,867 (2021: EUR 37,875,145) be carried forward to the next financial year.

Directors

The directors of the Company who held office during the year were:

- Mr. Jonas Warrer (appointed on 27 October 2023)
- Mr. Ryan Casaletto (appointed on 5 October 2023)
- Mr. Richard Brown (resigned on 27 October 2023)
- Mr Justin Psaila (resigned on 27 October 2023)

The Company's Articles of Association do not require the directors to retire.

Statement of directors' responsibilities for the financial statements

The directors are required by the Maltese Companies Act (Cap. 386) to prepare financial statements that give a true and fair view of the state of affairs of the company as at the end of each reporting period and of the profit or loss for that period.

In preparing the financial statements, the directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the company will continue in business as a going concern.

The directors are also responsible for designing, implementing and maintaining 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, and that comply with the Maltese Companies Act (Cap. 386). The directors 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.

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Email of signatory: jonas.warrer@g2m.com
Timestamp: Friday, 13 December 2024 08:46 UTC

Signatory: ryan casaletto
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13 December 2024

Independent auditor's report

To the Shareholder of Innovation Labs Limited

Report on the audit of the financial statements

Our opinion

In our opinion:

- The financial statements give a true and fair view of the financial position of Innovation Labs Limited (the "Company") as at 31 December 2022, and of the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

What we have audited

Innovation Lab Limited's financial statements, set out on pages 10 to 35, comprise:

- the statement of financial position as at 31 December 2022;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising the notes to the financial statements, which include significant accounting policies and other explanatory information.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these Codes.

Independent auditor's report - *continued*

To the Shareholder of Innovation Labs Limited

Other information

The directors are responsible for the other information. The other information comprises the *Directors' report* (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except as explicitly stated within the *Report on other legal and regulatory requirements*.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Report on other legal and regulatory requirements

The *Annual Report and Financial Statements 2022* contains other areas required by legislation or regulation on which we are required to report. The Directors are responsible for these other areas.

The table below sets out these areas presented within the Annual Report, our related responsibilities and reporting, in addition to our responsibilities and reporting reflected in the *Other information* section of our report. Except as outlined in the table, we have not provided an audit opinion or any form of assurance.

Independent auditor's report *- continued*

To the Shareholder of Innovation Labs Limited

Area of the *Annual Report and Financial Statements 2022* and the related Directors' responsibilities	Our responsibilities	Our reporting
Directors' report (on pages 1 to 4) The Maltese Companies Act (Cap. 386) requires the directors to prepare a Directors' report, which includes the contents required by Article 177 of the Act and the Sixth Schedule to the Act.	We are required to consider whether the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements. We are also required to express an opinion as to whether the Directors' report has been prepared in accordance with the applicable legal requirements. In addition, we are required to state whether, in the light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, we have identified any material misstatements in the Directors' report, and if so to give an indication of the nature of any such misstatements.	In our opinion: • the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386). We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the *Other information* section.
	Other matters on which we are required to report by exception We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion: • adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us. • the financial statements are not in agreement with the accounting records and returns. • we have not received all the information and explanations which, to the best of our knowledge and belief, we require for our audit.	We have nothing to report to you in respect of these responsibilities.

Independent auditor's report - continued

To the Shareholder of Innovation Labs Limited

Other matter – use of this report

Our report, including the opinions, has been prepared for and only for the Company's shareholder as a body in accordance with Article 179 of the Maltese Companies Act (Cap. 386) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior written consent.

DocuSigned by:

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Ian Curmi
Principal

For and on behalf of
PricewaterhouseCoopers
78, Mill Street
Zone 5, Central Business District
Qormi
Malta

13 December 2024

Statement of financial position

	Notes	As at 31 December **2022** **€**	 2021 €
ASSETS			
Non-current assets			
Intangible assets	6	**18,254,004**	21,243,346
Property, plant and equipment	4	**11,156**	29,138
Investments in subsidiaries	5	**12,752,572**	12,751,372
Derivative financial instruments	7	**-**	205,714
Trade and other receivables	8	**39,762,944**	22,092,670
Total non-current assets		**70,780,676**	56,322,240
Current assets			
Trade and other receivables	8	**6,197,807**	5,040,823
Cash at bank and other intermediaries	9	**3,712,009**	2,822,298
Total current assets		**9,909,816**	7,863,121
Total assets		**80,690,492**	64,185,361
EQUITY AND LIABILITIES			
Equity			
Share capital	10	**1,200**	1,200
Capital reserves	11	**18,264,007**	18,264,007
Foreign currency translation reserve		**2,994**	2,994
Retained earnings		**55,540,867**	37,875,145
Total equity		**73,809,068**	56,143,346
Non-current liabilities			
Deferred income tax liabilities	17	**5,486,723**	5,046,475
Current liabilities			
Trade and other payables	12	**1,158,103**	2,995,540
Current tax liabilities		**236,598**	-
Total current liabilities		**1,394,701**	2,995,540
Total liabilities		**6,881,424**	8,042,015
Total equity and liabilities		**80,690,492**	64,185,361

The notes on pages 14 to 35 are an integral part of these financial statements.

The financial statements on pages 10 to 35 were authorised for issue by the directors on 13 December 2024 and were signed on its behalf by:

Signatory: jonas warrer
Email of signatory: jonas.warrer@g2m.com
Timestamp: Friday, 13 December 2024 08:46 UTC

Signatory: ryan casaletto
Email of signatory: ryan.casaletto@g2m.com
Timestamp: Friday, 13 December 2024 08:27 UTC

Statement of comprehensive income

	Notes	Year ended 31 December	
		2022	2021
		€	€
Net revenue		**40,252,788**	31,905,685
Operating expenses			
Personnel expenses	14	**(2,761,894)**	(3,291,426)
Depreciation and amortisation	4, 6	**(5,459,084)**	(5,186,404)
Impairment	7	**(205,714)**	-
Marketing		**(4,709,354)**	(2,722,862)
Other operating expenses	13	**(8,774,174)**	(6,674,613)
Total operating expenses		**(21,910,220)**	(17,875,305)
Operating profit		**18,342,568**	14,030,380
Finance costs	15	**-**	(10,555)
Profit before tax		**18,342,568**	14,019,825
Tax (expense)/ income	16	**(676,846)**	457,942
Profit for the year - total comprehensive income		**17,665,722**	14,477,767

The notes on pages 14 to 35 are an integral part of these financial statements.

Statement of changes in equity

	Share capital €	Foreign currency translation reserve €	Capital reserves €	Retained earnings €	Total €
Balance at 1 January 2021	1,200	2,994	18,264,007	23,397,378	41,665,579
Comprehensive income					
Profit for the year - total comprehensive income	-	-	-	14,477,767	14,477,767
Balance at 31 December 2021	1,200	2,994	18,264,007	37,875,145	56,143,346
Comprehensive income					
Profit for the year - total comprehensive income	-	-	-	17,665,722	17,665,722
Balance at 31 December 2022	**1,200**	**2,994**	**18,264,007**	**55,540,867**	**73,809,068**

The notes on pages 14 to 35 are an integral part of these financial statements.

Statement of cash flows

	Notes	Year ended 31 December 2022 €	2021 €
Cash flows from operating activities			
Cash generated from operations	18	**20,992,379**	19,377,913
Cash generated from operations		**20,992,379**	19,377,913
Cash flows from investing activities			
Purchase and capitalisation of intangible assets	6	**(2,451,759)**	(1,535,668)
Acquisition of subsidiary	5	**(1,200)**	(26,425)
Purchase of property, plant and equipment	4	**-**	(2,461)
Net cash used in investing activities		**(2,452,959)**	(1,564,554)
Cash flows from financing activities			
Advancement to subsidiary for the acquisition of intangible assets		**(531,203)**	-
Intercompany financing		**(17,118,506)**	(15,931,992)
Net cash used in financing activities		**(17,649,709)**	(15,931,992)
Net movement in cash and cash equivalents		**889,711**	1,881,367
Cash and cash equivalents at beginning of year		**2,822,298**	940,931
Cash and cash equivalents at end of year	9	**3,712,009**	2,822,298

The notes on pages 14 to 35 are an integral part of these financial statements.

Notes to the financial statements

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and with the requirements of the Maltese Companies Act (Cap. 386). A parent (Note 23) prepares consolidated financial statements in a manner equivalent to that required by the Maltese Companies Act (Cap. 386), and these are delivered to the Registrar of Companies in Malta. Accordingly, Innovation Labs Limited is exempt from the preparation of consolidation financial statements by virtue of Section 174 of the Maltese Companies Act (Cap. 386). They have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS as adopted by the EU requires the use of certain accounting estimates. It also requires the directors to exercise their judgement in the process of applying the Company's accounting policies (see Note 3 – Critical accounting estimates and judgements).

Standards, interpretations and amendments to published standards effective in 2022

No new standards were adopted during the year that would have a material effect on the Company's accounting policies.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been adopted by the Company. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

1.2 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements are presented in euro which is the Company's functional and presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. The Company's accounting policy is to present all exchange differences within finance income or finance costs including exchange differences arising on cash and cash equivalents and amounts due from payment providers.

1. Summary of significant accounting policies - continued

1.3 Investment in subsidiary

Investment in subsidiaries are accounted for by the cost method of accounting, i.e. at cost less impairment. Provisions are recorded where in the opinion of the directors, there is an impairment in value. Where there has been as impairment in the value of an investment, it is recognised as an expense in the period in which the diminution is identified.

The results of the subsidiaries are reflected in the financial statements only to the extent of dividends receivable. On the disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

1.4 Intangible assets

(a) Domains

Domains comprise the value of domain names acquired by the company as well as the value derived from the search engine optimisation activity embedded in the acquired portfolios. Separately acquired domains are shown at historical cost, which represents their acquisition price and certain domains are expected to have a useful life of 8 years. Amortisation is calculated using the straight-line method to allocate the cost of domains over their estimated useful lives.

(b) Affiliate contracts

Acquired affiliate contracts are shown at historical cost and are deemed to have a useful life of 3 years, determined by reference to the expected user churn rate. Amortisation is calculated using the straight-line method to allocate the cost of affiliate contracts over their estimated useful lives.

(c) Technology platforms

Acquired computer software and platforms are capitalised on the basis of the costs incurred to acquire and bring to use these assets. These costs are amortised over their estimated useful lives of three years.

Costs associated with maintaining these intangibles are recognised as an expense when incurred. Development costs that are directly attributable to the design of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the intangible asset so that it will be available for use;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be reliably measured.

Directly attributable costs that are capitalised as part of these intangible assets include the development employee costs.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

1. Summary of significant accounting policies - continued

1.5 Property, plant and equipment

All property, plant and equipment are initially recorded at cost and are subsequently stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

	Years
Furniture and fittings	5
Computer and office equipment	3
Improvements to premises	5

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

1.6 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

1. Summary of significant accounting policies - continued

1.7 Financial assets

1.7.1 Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI) or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

1.7.2 Recognition and derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

1.7.3 Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(a) Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. The Company classifies its debt instruments using the amortised cost model. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss.

1. Summary of significant accounting policies - continued

1.7 Financial assets - continued

1.7.4 Impairment

The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 2.1 for further details.

1.8 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against profit or loss.

1.9 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. In the statement of cash flows, cash and cash equivalents includes cash in hand and deposits held at call with banks and e-wallets.

1.10 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

1.11 Financial liabilities

The Company recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The Company’s financial liabilities are classified as financial liabilities which are not at fair value through profit or loss (classified as ‘Other liabilities’) under IFRS 9. Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost. The Company derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

1. Summary of significant accounting policies - continued

1.12 Trade and other payables

Trade payables comprise obligations to pay for services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

1.13 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the financial position date in the countries where the Company operate and generate taxable income. Management periodically evaluated positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1. Summary of significant accounting policies - continued

1.14 Revenue recognition

For a revenue share deal, the Company receives a share of the revenues that the gaming operator has generated as a result of a player playing on their iGaming site. Revenue is recognised in the month that it is earned by the respective gaming operator.

For a cost acquisition deal, a client pays a one-time fee for each player who deposits money on the client's site. Cost per acquisition contracts consist of a pre-agreed rate with the client. Revenue from such contracts is recognised in the month in which the deposits are made.

For a listing deal, a client pays a fixed fee to be listed and critically reviewed on the Company's websites. Such revenue is apportioned on an accrual basis over the term of the contract.

The Company's performance obligation in this respect can be viewed as a series of distinct performance obligations to stand ready to redirect players on a constant basis. Such contacts give rise to variable consideration from an IFRS 15 point of view since the revenues are not fixed at the outset. In view of the nature of the service provided as a monthly stand-ready obligation the Company recognises the income in the month in which it has a contractual right to bill the iGaming operators.

Other income is recognised as it accrues unless collectability is in doubt.

Interest income is recognised for all interest-bearing instruments using the effective interest method.

1.15 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial information in the period in which an obligation to pay a dividend is established.

1.16 Capital reserves

Contributions received from the shareholders for which the Group has no obligation to repay are recorded in equity and presented within the 'Capital reserves'.

2. Financial risk management

2.1 Financial risk factors

The Company's activities potentially expose it to a variety of financial risks: market risk (foreign exchange risk), credit risk and liquidity risk. The management of the Company's financial risk is based on a financial policy approved by the ultimate parent's Board of directors, and exposes the Company to a low level of risk. Risk management is coordinated at a group level in respect of all companies of which Gentoo Media Inc (formerly Gaming Innovation Group Inc.) is the ultimate parent. The Company did not make use of derivative financial instruments to hedge risk exposures during the current and preceding period.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the entity's functional currency. The Company operates in various countries with various currency exposures, such as GB pound, Norwegian krone, Swedish kronor, South African rand and United States dollar.

2. **Financial risk management** - continued

2.1 **Financial risk factors** - continued

(a) *Market risk* - continued

(i) *Foreign exchange risk* - continued

The table below summarises the Company's main exposure to foreign currencies other than the functional currency:

	Assets €	Liabilities €	Net exposure €
As at 31 December 2022			
GBP to EUR	219,578	-	219,578
NOK to EUR	1,546	-	1,546
SEK to EUR	-	(3,721)	(3,721)
USD to EUR	64,066	-	64,066
Other currencies to EUR	210	-	210
	285,400	**(3,721)**	**281,679**

	Assets €	Liabilities €	Net exposure €
As at 31 December 2021			
GBP to EUR	305,080	(4,262)	300,818
NOK to EUR	40,752	(1,547)	39,205
SEK to EUR	2,968	-	2,968
USD to EUR	431,376	(10,445)	420,931
ZAR to EUR	67,549	-	67,549
	847,725	**(16,254)**	**831,471**

A sensitivity analysis for foreign exchange risk disclosing how profit or loss and equity would have been effected by changes in foreign exchange rates that were reasonably possible at the end of the reporting period is not deemed necessary since the exposure is not deemed to be significant.

(b) *Credit risk*

Credit risk mainly arises on cash and cash equivalents, amounts due from fellow subsidiaries, amounts due from immediate parent, amounts due from ultimate parent and trade and other receivables as follows:

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

	2022	2021
	€	€
Financial assets at amortised cost:		
Amounts due from fellow subsidiaries (Note 8)	**39,217,855**	18,543,368
Amounts due from immediate parent (Note 8)	**-**	3,004,213
Amounts due from ultimate parent (Note 8)	**545,089**	545,089
Cash at bank and other intermediaries (Note 9)	**3,712,009**	2,822,298
Trade and other receivables (Note 8)	**6,249,832**	5,258,691
Net exposure	**49,724,785**	30,173,659

The maximum exposure to credit risk at the end of the reporting period in respect of the financial assets mentioned above is equivalent to their carrying amount as disclosed in the respective notes to the financial statements. The Company does not hold any collateral as security in this respect.

The company assesses the credit quality of its customers taking into account financial position, past experience and other factors. It has processes in place to ensure that sales of services are effected to customers with an appropriate credit history. The Company monitors the performance of these financial assets on a regular basis to identify incurred collection losses which are inherent in the Company's receivables taking into account historical experience in collection of accounts receivable.

The Company seeks to manage credit risk by only undertaking transactions with counterparties which include financial institutions or intermediaries and payment providers with quality standing. Control structures are in place to assess credit risk on similar lines. The following table provides information regarding the aggregated credit risk exposure, for deposits with bank and financial institutions or intermediaries with external credit ratings as at 31 December 2022 and 2021.

	2022	2021
	€	€
A+	**1,199,926**	-
AA	-	9,420
B+	**80,967**	-
BBB	**42,739**	2,795,111
BBB-	**2,317,924**	-
Not rated	**70,453**	17,767
	3,712,009	2,822,298

(i) Impairment of financial assets

The Company's trade receivables are subject to the expected credit loss model. Cash and cash equivalents are also subject to the impairment requirements of IFRS 9, but due to the low credit risk the loss allowance was deemed to be immaterial in both current and prior years.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) *Credit risk* - continued

(i) *Impairment of financial assets* - continued

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The expected loss rates are based on historical experience and adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The Company reported trade receivables of EUR 6,249,832 as at 31 December 2022 (2021: EUR 5,258,691), and a loss allowance of EUR 371,369 (2021: EUR 251,914). During the year an amount of EUR 168,476 were written off (2021: EUR 95,187).

On that basis, the loss allowance as at 31 December was determined as follows for trade receivables:

	Days overdue								
31 December 2022	**Current**	**1 - 30**	**31 - 60**	**61 - 90**	**91 - 120**	**121 - 300**	**301 - 500**	**Over 500**	**Total**
Expected loss rate	**1.3%**	**0.7%**	**6.3%**	**9.3%**	**13.5%**	**33.5%**	**61.3%**	**97.4%**	
Trade receivables, gross	3,531,558	1,575,018	276,654	178,503	114,428	354,486	191,113	28,072	**6,249,832**
Loss allowance	**47,052**	**11,592**	**17,429**	**16,601**	**15,448**	**118,753**	**117,152**	**27,342**	**371,369**

	Days overdue								
31 December 2021	Current	1 - 30	31 - 60	61 - 90	91 - 120	121 - 300	301 - 500	Over 500	Total
Expected loss rate	0.60%	1.37%	4.21%	5.95%	8.49%	29.75%	58.34%	96.13%	
Trade receivables, gross	2,755,816	992,822	765,745	255,952	126,905	272,947	7,604	80,900	5,258,691
Loss allowance	16,619	13,610	32,267	15,238	10,771	81,207	4,436	77,767	251,914

The closing loss allowance for trade receivables as of 31 December reconciles to the opening loss allowances as follows:

	2022	2021
	€	€
Opening loss allowance as at 1 January	**251,914**	494,386
Increase /(decrease) in loss allowance recognised in profit or loss during the year	**287,931**	(147,285)
Receivables written off during the year as uncollectible	**(168,476)**	(95,187)
	371,369	251,914

The Company manages credit limits and exposures actively in a practicable manner such that past due amounts receivable from partners are within controlled parameters. Management assesses the credit quality of the operators considering its financial position past experience and other factors. The Company’s receivables, which are not impaired financial assets, are principally in respect of transactions with partners for whom there is no recent history of default. Management does not expect any losses from non-performance by these partners. The directors consider that the Company was not exposed to significant credit risk as at the end of the current reporting period.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) *Credit risk* - continued

(j) *Impairment of financial assets* - continued

The Company monitors intra-group exposures at individual entity level on a regular basis and ensures timely performance of these assets in context of its overall liquidity management at a Group level. On the basis of prospects of the Group, the credit risk attaching to intra-group receivables to be considered to be immaterial.

(c) *Liquidity risk*

The Company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities which include amounts due to fellow subsidiaries of EUR 205,072 (2021: EUR 1,713,718), other payables of EUR NIL (2021: EUR 701,463), amounts due to immediate parent of EUR 19,999 (2021: EUR NIL), accruals and trade payables of EUR 379,714 (2021: EUR 273,164).

Liquidity risk is monitored at a group level by ensuring that sufficient funds are available to each subsidiary within the Gentoo Media Group (formerly Gaming Innovation Group).

2.2 Capital risk management

The Company's equity, as disclosed in the statement of financial position, constitutes its capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company's capital structure (including the additional paid-in capital) is monitored at a Group level with appropriate reference to subsidiaries' financial conditions and prospects.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

2.3 Fair values of financial instruments

At 31 December 2022 and 2021 the carrying amounts of cash at bank, receivables, payables and accrued expenses, reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

4. Property, plant and equipment

	Computer and office equipment €	Furniture and fittings €	Improvements to premises €	Total €
Cost				
As at 1 January 2021	183,849	196,270	56,814	436,933
Additions	2,461	-	-	2,461
Disposals	-	-	-	-
As at 31 December 2021	186,310	196,270	56,814	439,394
As at 1 January 2022	186,310	196,270	56,814	439,394
Additions	-	-	-	-
Disposal	-	-	-	-
As at 31 December 2022	**186,310**	**196,270**	**56,814**	**439,394**
Accumulated depreciation				
As at 1 January 2021	159,547	154,432	56,814	370,793
Depreciation charge	13,840	25,622	-	39,462
As at 31 December 2021	173,387	180,054	56,814	410,255
As at 1 January 2022	173,387	180,054	56,814	410,255
Depreciation charge	2,247	15,737	-	17,984
As at 31 December 2022	**175,634**	**195,790**	**56,814**	**428,238**
Net book value				
As at 1 January 2021	24,302	41,838	-	66,140
As at 31 December 2021	12,923	16,215	-	29,138
As at 31 December 2022	**10,676**	**480**	**-**	**11,156**

5. Investment in subsidiary

	2022	2021
	€	€
As at 1 January	**12,751,372**	12,698,522
Additions during the year	**1,200**	52,850
As at 31 December	**12,752,572**	12,751,372

Subsidiary	**Registered office**	**Class of shares held**	**Percentage of voting rights held directly by parent**	
			2022	2021
			%	%
Rebel Penguin	Nannasgade 28 2200 Copenhagen Denmark	Ordinary shares	**100**	100
SIA YSG International Services Limited	Audēju street 15, floor 5th Riga, LV-1050 Latvia	Ordinary shares	**100**	100
BE Marketing Limited	Northlink Business Centre, Level 2, Burmarrad Road, Naxxar, Malta	Ordinary shares	**80**	-

Through the acquisition of BE Marketing Limited, assets acquired for were transferred at no consideration to the subsidiary. The subsidiary settled the amount due after year end.

6. Intangible assets

	Domains	Affiliate contracts	Technology platform	Other	Total
	€	€	€	€	€
Cost					
As at 1 January 2021	44,983,619	12,463,890	2,240,156	213,703	59,901,368
Additions	-	-	1,482,764	52,904	1,535,668
As at 31 December 2021	44,983,619	12,463,890	3,722,920	266,607	61,437,036
As at 1 January 2022	44,983,619	12,463,890	3,722,920	266,607	61,437,036
Additions	-	-	2,451,759	-	2,451,759
As at 31 December 2022	**44,983,619**	**12,463,890**	**6,174,679**	**266,607**	**63,888,795**
Accumulated amortisation					
As at 1 January 2021	21,336,670	12,463,890	1,032,485	213,703	35,046,748
Amortisation charge	4,177,655	-	945,039	24,248	5,146,942
As at 31 December 2021	25,514,325	12,463,890	1,977,524	237,951	40,193,690
As at 1 January 2022	25,514,325	12,463,890	1,977,524	237,951	40,193,690
Amortisation charge	4,231,237	-	1,183,413	26,451	5,441,101
As at 31 December 2022	**29,745,562**	**12,463,890**	**3,160,937**	**264,402**	**45,634,791**
Carrying amount					
As at 1 January 2021	23,646,949	-	1,207,671	-	24,854,620
As at 31 December 2021	19,469,294	-	1,745,396	28,656	21,243,346
As at 31 December 2022	**15,238,057**	**-**	**3,013,742**	**2,205**	**18,254,004**

As at 31 December 2022 the net book value of internally generated intangible assets amounted to EUR 3,013,742 (2021: EUR 1,745,396).

Change in accounting estimate for intangible assets

a) Domains

During the preceding year the estimated useful lives of media domains were revised to reflect the re-assessed value of such assets. The net effect of the changes in the current year was a decrease in amortisation expense of EUR 1,558,000 (2021: EUR 1,271,000). Assuming the assets are held until the end of their re-assessed estimated useful lives, amortization in future years in relation to these assets will increase/(decrease) by the following amounts:

Year ending 31 December	CU'000
2023	(1,739)
2024	(1,673)
2025	999
2026	3,121
2027	1,204
2028	842

7. Derivative financial assets

	2022	2021
	€	€
Call option to acquire intangible assets		
As at 31 December	**-**	205,714

Valuation of call option to acquire intangible assets

During 2016, the Group acquired the right to buy the remaining 50% of the risks and rewards of ‘development domains’ at any time during March 2018 and June 2021.

The Group did not exercise this option during 2021 and consequently, the option expired in June 2021. As of 31 December 2021, management was still discussing the extension of the option whilst assessing the option to purchase the asset. As of 31 December 2021, management estimated the fair value of the option to be EUR 205,714.

During 2022, management concluded not to purchase the asset and the call option was written off during the year.

8. Trade and other receivables

	2022	2021
	€	€
Non-current		
Amounts due from immediate parent	**-**	3,004,213
Amounts due from ultimate parent	**545,089**	545,089
Amounts due from fellow subsidiaries	**39,217,855**	18,543,368
	39,762,944	22,092,670
Current		
Trade receivables - gross	**6,249,832**	5,258,691
Less: loss allowance	**(371,369)**	(251,914)
Trade receivables - net	**5,878,463**	5,006,777
Indirect taxation	**280,708**	-
Prepayments	**38,636**	34,046
	6,197,807	5,040,823

Amounts due from ultimate parent, fellow subsidiaries and in the preceding year, immediate parent are unsecured, interest free and repayable on demand. However, the Company does not expect to receive such amounts within 12 months and as a result has classified them as non-current.

9. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	2022	2021
	€	€
Cash at bank and other intermediaries	**3,712,009**	2,822,298

10. Share capital

	2022	2021
	€	€
Authorised, issued and fully paid		
1,199 ordinary 'A' shares of EUR1 each	**1,199**	1,199
1 ordinary 'B' share of EUR1 each	**1**	1
	1,200	1,200

The ordinary 'B' share shall not carry a right to receive dividends but in all other matters shall rank pari passu with the ordinary 'A' shares.

11. Capital contribution reserve

The capital contribution reserve comprises the fair value of share options granted by the ultimate parent company as consideration to employees in the Company, for the acquisition of intangible assets and shares contributed to acquire the investment in Rebel Penguin ApS. This is a non-distributable reserve.

	2022	2021
	€	€
At 1 January and 31 December	**18,264,007**	18,264,007

12. Trade and other payables

	2022	2021
	€	€
Trade payables	**379,714**	273,164
Other payables	**-**	701,463
Indirect taxation and social security	**193,880**	177,636
Amounts due to fellow subsidiaries	**205,072**	1,713,718
Amounts due to immediate parent	**19,999**	-
Accruals and deferred income	**359,438**	129,559
	1,158,103	2,995,540

Amounts due to fellow subsidiaries and immediate parent are unsecured, interest free and repayable on demand.

13. Other operating expenses

	2022	2021
	€	€
Consultancy fees	**1,693,563**	2,737,585
Service fee	**6,081,704**	-
Software expenses	**564,964**	779,381
Other operating expenses	**433,943**	3,157,647
	8,774,174	6,674,613

Service fee intra-group amounting to EUR 6,081,704 are central costs incurred by a fellow subsidiary and recharged respectively throughout the year based on a systematic manner. During the current year, intra group recharges were posted as service fee intra-group. In the preceding year, intra-group recharges of EUR 3,055,971 were allocated to difference cost categories.

Fees (exclusive of VAT) charged by the auditor for services rendered during the financial years ended 31 December 2022 and 2021 are shown in the table below. Audit fees are being borne by a fellow subsidiary.

	2022	2021
	€	€
Tax compliance services	**2,100**	1,600
Other services	**800**	150
	2,900	1,750

14. Employee benefit expense

	2022	2021
	€	€
Gross wages and salaries	**620,870**	256,980
Salary recharges	**4,556,322**	4,487,831
Less: employee costs capitalised as part of software development	**(2,433,287)**	(1,459,505)
Net wages and salaries, including other benefits	**2,743,905**	3,285,306
Social security costs	**17,989**	6,120
	2,761,894	3,291,426

The average number of persons employed during the year

	2022	2021
Administrative	**7**	3

15. Finance costs

	2022 €	2021 €
Other interest expense	**-**	10,555

16. Tax expense/ (income)

	2022 €	2021 €
Deferred tax	**440,248**	(457,942)
Current tax expense	**236,598**	-
Tax expense / (income)	**676,846**	(457,942)

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	2022 €	2021 €
Profit before tax	**18,342,568**	14,019,825
Tax at 35%	**6,419,899**	4,906,939
Tax effect of:		
Disallowed expenses	**74,368**	1,863
Losses received from group company	**(5,822,783)**	(5,366,744)
Unrecognised deferred tax in prior year	**5,362**	-
Tax expense / (credit)	**676,846**	(457,942)

17. Deferred taxation

Deferred taxes are calculated on all temporary differences under the liability method and are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates (and tax law) that have been enacted by the end of the reporting period. The principal tax rate used is 35% (2021: 35%).

The movement on the deferred income tax account is as follows:

	2022	2021
	€	€
As at 1 January	**(5,046,475)**	(5,504,417)
Deferred taxes on temporary differences arising on:		
- depreciation of property, plant and equipment (Note 4)	**(5,184)**	6,631
- amortisation of intangible assets (Note 6)	**1,301,728**	1,416,463
- provision for impairment of debtors (Note 8)	**41,809**	(84,865)
- tax losses and group relief	**(1,778,601)**	(880,287)
As at 31 December	**(5,486,723)**	(5,046,475)

Deferred taxation is calculated on temporary differences under the liability method using the principal tax rate within the relevant jurisdiction. The year-end balances comprise temporary differences arising on:

	2022	2021
	€	€
Temporary differences arising on property, plant and equipment	**20,763**	25,947
Temporary differences arising on intangible assets	**(5,637,465)**	(6,939,193)
Temporary differences arising on impairment of debtors	**129,979**	88,170
Temporary differences arising on trading losses and group relief	**-**	1,778,601
	(5,486,723)	(5,046,475)

18. Cash generated from operations

Reconciliation of operating profit to cash generated from operations

	2022	2021
	€	€
Operating profit	**18,342,568**	14,030,380
Adjustments for:		
Amortisation of intangible assets (Note 6)	**5,441,101**	5,146,942
Depreciation of property, plant and equipment (Note 4)	**17,984**	39,462
Interest paid	**-**	10,555
Movement in provision for impairment of receivables	**119,455**	(242,472)
Impairment on derivative financial asset	**205,714**	-
Changes in working capital:		
Trade and other receivables	**(1,295,806)**	(482,964)
Trade and other payables	**(1,838,637)**	876,010
Cash generated from operations	**20,992,379**	19,377,913

19. Related party transactions

All companies forming part of the Gentoo Media Group (formerly Gaming Innovation Group), the shareholders and other companies controlled or significantly influenced by the shareholders are considered by the directors to be related parties as these companies are also ultimately owned by Gentoo Media Inc (formerly Gaming Innovation Group Inc.).

Year-end balances owed by or to related undertakings are disclosed in notes 8 and 12.

	2022	2021
	€	€
Recharges from fellow subsidiary:		
Other operating expenses (Note 13)	**6,081,704**	4,741,471
Personnel expenses (Note 14)	**4,556,322**	3,882,379

20. Legal environment

It is the Company's view that the responsibility for compliance with laws and regulations rests with the customer. Although gaming laws and regulations of many jurisdictions do not specifically apply to the supply of affiliation services, certain countries have sought to regulate or prohibit the supply of such services. The Company may therefore be subject to such laws, directly or indirectly. The company mitigates this risk through monitoring of legal developments, contractual arrangements, and by seeking external advice to assist with the assessment of risk exposures as appropriate.

In addition to the above, the Company faces the risk that customers are not able to pay for the services rendered when these fall due. Also, the Company faces operational risks arising from Google's changes of its algorithm that could temporarily impact rankings, and hence also impact revenues.

21. Events after reporting period

Strategic review

In February 2023, the Board of the Company's ultimate parent had decided to initiate a strategic review with the intention to split the Group into two main business segments. The purpose of the split was to sharpen the focus for each business segment, optimise growth opportunities and ensure each business can benefit from the strategic and financial flexibility of their distinctive business models. The split which took place on 30 September 2024 resulted in two separate industry leading businesses with the potential to grow much faster.

AskGamblers acquisition

As already disclosed earlier within this report, closing of the AskGamblers acquisition was completed on 31 January 2023.

KaFe Rocks acquisition

On 21 December 2023, the Group acquired KaFe Rocks Ltd. and its subsidiaries, a prominent iGaming affiliate boasting multiple Power Affiliate top 10 rankings. The purchase price was EUR 35 million, consisting of a EUR 15 million upfront cash payment and EUR 20 million divided in four semi-annual payments over 24 months with an added earn-out if specific performance targets are met. The Group financed the initial consideration through the issue of a new bond in December 2023.

The transaction was structured by way of a Share Purchase Agreement (SPA) with the Company and included the acquisition of the three companies Digital World Ltd., Time2Play Media Ltd, and KaFe Rocks USA LLC. The acquisition diversified the Company's revenue streams in line with the strategy to create sustainable long-term growth and provide the business with several key strategic assets and multiple revenue opportunities.

Casinomeister.com acquisition

In June 2024, the Company acquired the casino affiliate website Casinomeister.com with an effective date from 1 June 2024. The transaction was structured as an asset purchase with a total consideration of EUR 3 million, that was paid in cash in July 2024.

Titan Inc. acquisition

In August 2024, the Company acquired Titan Inc.. The acquisition was structured with a total price of EUR 3.2 million, comprising an initial payment of EUR 1.1 million that was paid on closing, followed by two yearly installments of EUR 1.05 million to be paid after twelve and twenty-four months respectively.

21. Events after reporting period - continued

Mr. Cashback acquisition

In September 2024, the Company acquired two minor casino affiliate websites (Mr. Cashback) effective from 30 September 2024. The transaction was structured as an asset purchase with a total consideration of EUR 2.7 million. EUR 0.9 was paid in Q3 2024, and the remaining was paid in October 2024.

22. Statutory information

Innovation Labs Limited is a limited liability company and is incorporated in Malta.

The Company’s immediate parent company is Gentoo Media p.l.c. (formerly Gaming Innovation Group p.l.c.), a company registered in Malta, with its registered address at @GIG Beach, Triq id-Dragunara, St. Julians, STJ 3148 Malta. Gentoo Media Inc (formerly Gaming Innovation Group Inc.) is the ultimate parent company whose registered office is 10700 Stringfellow Rd, Suite 10, Bokeelia, FL 33922, USA.

Gentoo Media p.l.c. (formerly Gaming Innovation Group p.l.c.) prepares consolidated financial statements which are available at the registered office of Innovation Labs Limited.