

KaFe Rocks Ltd

Annual Report and Financial Statements
31 December 2022

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Director's report

The director presents his report and the audited financial statement of KaFe Rocks Ltd (the "Company") for the year ended 31 December 2022.

Principal activity

The Company's principal activity, which is substantially unchanged since last year, is to run various websites in different international regions to target gaming, sports betting or in financial service interested retail customers.

Review of the business

The Company's level of business has overall decreased during the year 31 December 2022 due to continuous regulatory developments in certain key markets, google algorithm updates, and some internal changes to market strategy. Having considered these facts, the Company's financial position remains satisfactory after management's careful consideration of their knowledge of the business and the future potential of the existing assets. The director expects that the present level of activity will be enhanced and improved upon in the foreseeable future and that operating results will improve gradually.

During the year, the Company and Spicy Investments Ltd, entered into a loan agreement totalling to €2.3 million for the investment in Time2play Media Ltd. and a gratuitous capital contribution to Digital World Ltd.

Going concern

As at 31 December 2022, the current liabilities exceed the current assets by €1,251,103. The Company's current liabilities include an amount due to the immediate parent of €4,201,213. This balance arose as a result of the commitment by the immediate parent company to allow the Company to grow its business through investments and acquisition. A mechanism to repay the amount due on a monthly basis without reducing the cash flow significantly was put in place in Q1 2023. Actions to reduce the operational costs have separately been implemented in 2022, but the effects of which are only noticeable in Q1 2023.

These financial statements have been prepared on a going concern basis which assumes that the immediate parent will not request the repayment of amounts owed to it until the Company has sufficient funds to do so. This support is valid for a minimum period of twelve months from when these financial statements were available for issuance.

Financial risk management and exposures

For financial risks and uncertainties, refer to Note 2 'Financial risk management' that details the key risk factors including credit risk and liquidity risk and the Company's approach towards managing these risks.

Director's report - continued

Review of the business - continued

Other risk management and exposures

The remote gaming industry, where the Company has its main customers, continues to undergo regulation and is therefore subject to political and regulatory risk. The Company operates in the emerging online gaming industry. Although the Company is an affiliate marketing company and not an iGaming operator, the legislation concerning online gambling could directly or indirectly affect the Company's operations. Changes to existing regulations in various jurisdictions might impact the ability for the remote gaming operators to operate and accordingly, revenue streams from these customers may be adversely impacted. The Company may also be exposed to measures brought against customers by public authorities or others, which could be extended to any third-party having abetted the business of such remote gaming operators.

Results and dividends

The statement of comprehensive income is set out on page 10. The director has declared €700,000 dividends in the year to 31 December 2022 (2021: €3,304,051). The director also proposes for the balance of retained earnings to be carried forward to the next financial year.

Director

The directors of the Company who held office were:

Simon Pilkington (resigned on 20 October 2022)

Justin Karl Tonna (appointed on 20 October 2022 and resigned on 30 March 2023)

Jessica Victoria Farrugia (appointed on 30 March 2023)

The Company's Articles of Association do not require any director to retire.

Statement of director's responsibilities for the financial statements

The director is required by the Maltese Companies Act (Cap. 386) to prepare financial statements which 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 director is 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.

Director's report - continued

Statement of director's responsibilities for the financial statements - continued

The director is also responsible for designing, implementing and maintaining internal control as the director determines 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 director is 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.



Jessica Victoria Farrugia
Sole director

Registered office address:
Emms Lodge, 3,
Triq il-Qasab, Mensija,
St. Julians,
Malta.

28 June 2023



Independent auditor's report

To the Shareholders of KaFe Rocks Ltd

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 KaFe Rocks Ltd (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

KaFe Rocks Ltd’s financial statements, set out on pages 9 to 31, 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, 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 Shareholders of KaFe Rocks Ltd

Other information

The director is responsible for the other information. The other information comprises the *Director's 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 director for the financial statements

The director is 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 director 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 director 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 the director either intends to liquidate the Company or to cease operations, or has 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.



Independent auditor's report - continued

To the Shareholders of KaFe Rocks Ltd

- 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 director.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 director 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 Director is 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 Shareholders of KaFe Rocks Ltd

Area of the Annual Report and Financial Statements 2022 and the related Director's responsibilities	Our responsibilities	Our reporting
<p>Director's report (On pages 1 to 3)</p> <p>The Maltese Companies Act (Cap. 386) requires the directors to prepare a Director's report, which includes the contents required by Article 177 of the Act and the Sixth Schedule to the Act.</p>	<p>We are required to consider whether the information given in the Director's report for the financial year for which the financial statements are prepared is consistent with the financial statements.</p> <p>We are also required to express an opinion as to whether the Director's report has been prepared in accordance with the applicable legal requirements.</p> <p>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 Director's report, and if so to give an indication of the nature of any such misstatements.</p>	<p>In our opinion:</p> <ul style="list-style-type: none"> the information given in the Director's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and the Director's report has been prepared in accordance with the Maltese Companies Act (Cap. 386). <p>We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the <i>Other information</i> section.</p>
	<p>Other matters on which we are required to report by exception</p> <p>We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion:</p> <ul style="list-style-type: none"> 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. 	<p>We have nothing to report to you in respect of these responsibilities.</p>



Independent auditor's report - continued

To the Shareholders of KaFe Rocks Ltd

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.

PricewaterhouseCoopers

78, Mill Street
Zone 5, Central Business District
Qormi
Malta

A handwritten signature in blue ink, appearing to read 'Ian Curmi', is written over the printed name and title.

Ian Curmi
Partner

28 June 2023

Statement of financial position

		As at 31 December	
		2022	2021
		€	€
	Notes		
ASSETS			
Non-current assets			
Intangible assets	4	1,163,341	406,899
Investment in subsidiary undertakings	5	3,602,715	1,302,734
Right of use assets	6	198,909	-
Property, plant and equipment		4,800	4,800
Total non-current assets		4,969,765	1,714,433
Current assets			
Trade and other receivables	7	4,089,491	2,794,725
Cash and cash equivalents	8	1,092,132	926,305
Total current assets		5,181,623	3,721,030
Total assets		10,151,388	5,435,463
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	9	1,206	1,206
Capital contribution reserve	9	1,300,000	1,300,000
Retained earnings		2,288,854	553,200
Revaluation surplus		-	11,592
Total equity		3,590,060	1,865,998
Non-current liabilities			
Lease liabilities	6	128,602	-
Current liabilities			
Trade and other payables	10	4,417,526	1,362,816
Lease liabilities	6	62,263	-
Current tax liability		1,952,937	2,206,649
Total current liabilities		6,432,726	3,569,465
Total liabilities		6,561,328	3,569,465
Total equity and liabilities		10,151,388	5,435,463

The notes on pages 13 to 31 are an integral part of these financial statements.

The financial statements on pages 9 to 31 were authorised for issue on 28 June 2023 and were signed by the sole director:


Jessica Victoria Farrugia
Sole director

Statement of comprehensive income

	Notes	Year ended 31 December	
		2022 €	2021 €
Revenue	11	16,816,982	17,814,207
Direct costs	12	(7,068,732)	(7,367,366)
Gross profit		9,748,250	10,446,841
Administrative expenses	12	(4,603,213)	(4,361,115)
Operating profit		5,145,037	6,085,726
Finance costs	14	(178,315)	(11,312)
Other losses	12	(491,695)	-
Other Income	4	184,982	-
Revaluation of cryptographic assets	4	(327,639)	-
Profit before tax		4,332,370	6,074,414
Tax expense	15	(1,896,716)	(2,217,163)
Profit for the year		2,435,654	3,857,251
Other comprehensive income			
Revaluation (deficit) / surplus on cryptographic assets	4	(11,592)	11,592
Total comprehensive income for the year		2,424,062	3,866,843

The notes on pages 13 to 31 are an integral part of these financial statements.

Statement of changes in equity

	Notes	Share capital €	Retained earnings €	Other reserves		Total €
				Capital contribution reserve €	Revaluation surplus €	
Balance at 1 January 2021		1,200	-	-	-	1,200
Comprehensive income						
Profit for the year		-	3,857,251	-	-	3,857,251
Other comprehensive income for the year		-	-	-	11,592	11,592
Total comprehensive income		-	3,857,251	-	11,592	3,688,843
Transactions with owners						
Issuance of shares	9	6	-	-	-	6
Dividends declared	16	-	(3,304,051)	-	-	(3,304,051)
Additional capital contribution	9	-	-	1,300,000	-	1,300,000
Total transactions with owners		6	(3,304,051)	1,300,000	-	(2,004,045)
Balance at 31 December 2021		1,206	553,200	1,300,000	11,592	1,865,998
Balance at 1 January 2022		1,206	553,200	1,300,000	11,592	1,865,998
Comprehensive income						
Profit for the year		-	2,435,654	-	-	2,435,654
Other comprehensive income for the year	4	-	-	-	(11,592)	(11,592)
Total comprehensive income		-	2,435,654	-	-	2,424,062
Transaction with owners						
Dividends declared	16	-	(700,000)	-	-	(700,000)
Total transactions with owners		-	(700,000)	-	-	(700,000)
Balance at 31 December 2022		1,206	2,288,854	1,300,000	-	3,590,060

The notes on pages 13 to 31 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	17	4,445,499	5,662,764
Income tax paid		(2,150,428)	(4,775,108)
Net cash generated from operating activities		2,295,071	887,656
Cash flows from investing activities			
Acquisition of intangible assets	4	(841,380)	(25,324)
Gain on sale of intangible assets	4	184,983	-
Acquisition of property, plant and equipment		-	(6,000)
Investment in subsidiary undertakings	5	(999,981)	(1,302,734)
Net advances to subsidiaries	10	(1,417,266)	-
Net cash used in investing activities		(3,073,644)	(1,334,058)
Cash flows from financing activities			
Additional capital contribution from shareholders	9	-	1,300,000
Receipts/(payments) of advances/dividends to shareholders	10	1,000,000	(7,390,000)
Lease payments	6	(55,600)	-
Net cash generated from/(used in) financing activities		944,400	(6,090,000)
Net movement in cash and cash equivalents		165,827	(6,536,402)
Cash and cash equivalents at beginning of year		926,305	7,462,707
Cash and cash equivalents at end of year	8	1,092,132	926,305

The notes on pages 13 to 31 are an integral part of these financial statements.

Notes to the financial statements

1. Summary of significant accounting policies

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

1.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386). The financial statements have been prepared under the historical cost convention. The immediate parent company (Note 19) 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.

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

As at 31 December 2022, the current liabilities exceed the current assets by €1,251,103. The Company's current liabilities include an amount due to the immediate parent of €4,067,492. These financial statements have been prepared on a going concern basis which assumes that the immediate parent will not request the repayment of amounts owed to it until the Company has sufficient funds to do so. This support is valid for a minimum period of twelve months from when these financial statements were available for issuance.

Standards and amendments to existing standards effective 1 January 2022

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 January 2022 that have had a material effect on the financial statements of the Company.

Standards, interpretations and amendments to published standards that are not yet effective

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. Summary of significant accounting policies - continued

1.2 Foreign currency translation

(a) Functional and presentation currency

These financial statements are presented in Euro, which is the Company's functional 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.

1.3 Investment in subsidiary undertakings

Investment in subsidiary undertakings are accounted for by the cost method of accounting, i.e. at cost less impairment. Provisions are recorded where, in the opinion of the director, there is an impairment in value. Where there has been an 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 Company's financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the statement of comprehensive income.

1.4 Intangible assets

The Company's intangible assets comprise website and domains and cryptographic assets.

Websites and domains

Websites and domains acquired separately are measured on initial recognition at cost. Following initial recognition, such intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Websites and domains with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period and any change in estimate is accounted for on prospective basis. Website and domains are amortised over their useful lives of 3 years.

Gains or losses arising from derecognition of website and domains are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of comprehensive income when the asset is derecognised.

Amounts 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, when the following criteria are met:

- it is technically feasible to complete the intangible asset so that it will be available for use;

1. Summary of significant accounting policies - continued

1.4 Intangible assets - continued

Websites and domains - continued

- 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.

Cryptographic assets

The Company does not hold cryptographic assets for sale in the ordinary course of business. As a result, the director determined that cryptographic assets held by the Company meet the definition of an intangible asset under IAS 38. As at 31 December 2022, the only cryptographic assets held by the Company were Bitcoin and USD Tether, i.e. assets for which an active market exists. The Company has elected to apply the revaluation model whereby cryptographic assets are measured at fair value with movements above the initial cost being recognised in other comprehensive income and movements below cost being recognised in profit or loss.

In the case of the cryptocurrencies, these are carried at fair value at each reporting date, representing open market values. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature or condition of the specific asset. If the information is not available, the Company uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

Any increase in the fair value of the cryptocurrencies is recognised in other comprehensive income. If the value of the cryptocurrencies falls below the initial cost, any decrease in value is recognised as a charge in profit or loss and is presented in the income statement within 'revaluation of cryptographic assets'. Subsequent recoveries in value are credited to the income statement to the extent that they reverse previous decreases in value, with any further fair value gains in excess of cost being recognised in other comprehensive income.

No amortisation charge is recognised on cryptocurrencies as these assets do not have a finite life, and their value is not consumed over time.

1. Summary of significant accounting policies - continued

1.5 Financial assets

1.5.1 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 be recorded in either profit or loss or OCI.

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

1.5.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. 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.

1.5.3 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 (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the statement of comprehensive income.

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 as follows:

- **Amortised cost:** 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 the statement of comprehensive income and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of comprehensive income.

The Company does not hold any financial assets that are classified into any of the other IFRS 9 categories of financial assets.

1.5.4 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. Summary of significant accounting policies - continued

1.6 Leases

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Company under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is the case for the Company's leases, the Company's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

As the Company does not have recent third-party financing, it determines the incremental borrowing rate using a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company, and makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received; and
- any initial direct costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of premises and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

1. Summary of significant accounting policies - continued

1.7 Trade and other receivables

Trade receivables comprise amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less 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 (note 1.5.4). The carrying amount of the asset is reduced by 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.

1.8 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, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

1.9 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.

1.10 Capital contributions

Capital contributions are classified as a separate component of equity. The Company will allocate the amount to the applicable capital account without issuing or allotting any additional shares.

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.

1.12 Trade and other payables

Trade payables comprise obligations to pay for goods or 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. 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 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1. Summary of significant accounting policies - continued

1.14 Current and deferred tax

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 and its subsidiaries operate and generate taxable income. Management periodically evaluates 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, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; 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.

1.15 Revenue recognition

The Company recognises revenue when the customer obtains control of a performance obligation and has the ability to direct the use and obtain the benefits of the performance obligation and when specific criteria have been met for each of the Company's activities as described below. The amount of revenue comprises the fair value of the consideration received or receivable from transactions in the ordinary course of the Company's activities. The Company's revenue is primarily derived from online and affiliate marketing; it consists of revenue generated in the form of commissions on players directed or referred to iGaming operators.

(a) Commission income

Commission arrangements with iGaming operators take the form of one, or both, of the following:

Revenue share

When the Company enters into a revenue share arrangement it receives a share of the revenues that the iGaming operator has generated as a result of a referred player playing on the operator's site. Revenue is recognised in the month that it is earned by the respective operator.

Cost per acquisition (CPA)

CPA deals are arrangements in which iGaming operators remit a one-time fee for each referred player who deposits money on the operator's iGaming site. CPA 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.

1. Summary of significant accounting policies - continued

1.15 Revenue recognition - continued

(b) Interest income

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

1.16 Dividend distribution

Dividend distribution to the Company's shareholder is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

2. Financial risk management

2.1 Financial risk factors

The Company's activities potentially expose it to a variety of financial risks: predominantly market risk (including foreign exchange risk and price risk), credit risk and liquidity risk. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The immediate parent company's board of directors provides principles for overall group risk management, as well as policies covering risks referred to above and specific areas such as investment of excess liquidity. The Company did not make use of derivative financial instruments to hedge certain risk exposures during the current and preceding financial years.

All investments in crypto assets present a risk of loss of capital. The maximum loss of capital on crypto assets is limited to the value of those positions.

(a) Market risk

(i) Foreign currency 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 is not materially exposed to any currencies which is not the functional currency.

(ii) Price risk

The Company is not exposed to price risk. It is however indirectly exposed to price risk on the investments in crypto assets which are classified as intangible assets in line with accounting policy 1.4.

The nature of these assets and the volatility experienced in the fair values of cryptocurrencies is such that the director does not consider it possible to predict a reasonably possible shift in these assets' values over a period of 12 months. Accordingly, a reliable sensitivity analysis showing how profit or loss and other comprehensive income would be impacted by a reasonably possible shift in the price of cryptocurrencies is not considered feasible. The Company's approach to management of this price risk is to closely monitor fair values on the active markets.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk

Credit risk predominantly arises from cash and cash equivalents and credit exposures to customers, including outstanding receivables and committed transactions. The Company's exposures to credit risk as at the end of the reporting periods are analysed as follows:

	2022	2021
	€	€
Trade and other receivables (Note 7)	3,944,870	2,676,482
Cash and cash equivalents (Note 8)	1,092,132	926,305
	5,037,002	3,602,787

Trade and other receivables

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The director has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. The loss allowance as at 31 December 2022 is €447,670 (2021: €245,015) (Note 7).

Cash and cash equivalents

While cash and cash equivalents (Note 8) are also subject to the impairment requirements of IFRS 9, the Company banks only with financial institutions or payment intermediaries with high quality standing or rating and the identified impairment loss was immaterial.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise trade and other payables (Note 10).

Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Company's obligations. Management monitors liquidity risk by reviewing expected cash flows, and ensures that no additional financing facilities are expected to be required over the coming year.

As at 31 December 2022, the current liabilities exceed the current assets by €1,251,103. The Company's current liabilities include an amount due to the immediate parent of €4,067,492. These financial statements have been prepared on a going concern basis which assumes that the immediate parent will not request the repayment of amounts owed to it until the Company has sufficient funds to do so. This support is valid for a minimum period of twelve months from when these financial statements were available for issuance.

The Company's trade and other payables are entirely repayable within one year from the end of the reporting period.

2.2 Capital risk management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Company's equity, as disclosed on the face of the statement of financial position, constitutes its capital. The Company maintains the level of capital by reference to its financial obligations and commitments arising from operational requirements. In view of the nature of the Company's activities and taking into account the support from the immediate parent company, the capital level as at the end of the reporting period is deemed adequate by the director.

2.3 Fair values of financial instruments

At 31 December 2022 and 2021 the carrying amounts of other financial instruments, comprising 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 director, 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. Intangible assets

	Website domains €	Cryptographic assets €	Total €
At 1 January 2021			
Cost	1,161,018	-	1,161,018
Accumulated amortisation charge	(674,325)	-	(674,325)
Net book amount	486,693	-	486,693
Year ended 31 December 2021			
Opening net book amount	486,693	-	486,693
Additions	25,324	218,418	243,742
Revaluation surplus	-	11,592	11,592
Amortisation charge	(335,128)	-	(335,128)
Closing net book amount	176,889	230,010	406,899
At 31 December 2021			
Cost	1,186,342	218,418	1,404,760
Accumulated revaluation surplus	-	11,592	11,592
Accumulated amortisation charge	(1,009,453)	-	(1,009,453)
Net book amount	176,889	230,010	406,899
Year ended 31 December 2022			
Opening net book amount	176,889	230,010	406,899
Additions	841,380	575,389	1,416,769
Disposals	(525,718)	-	(525,718)
Revaluation deficit	-	(339,231)	(339,231)
Amortisation charge	(321,096)	-	(321,096)
Accumulated amortisation on disposal	525,718	-	525,718
Closing net book amount	697,173	466,168	1,163,341
At 31 December 2022			
Cost	1,502,004	793,807	2,295,811
Accumulated revaluation deficit	-	(327,639)	(327,639)
Accumulated amortisation charge	(804,831)	-	(804,831)
Net book amount	697,173	466,168	1,163,341

The amortisation charge is included in 'Administrative expenses' in the statement of comprehensive income. The revaluation deficit is included within 'Impairment on intangible assets' in line with the Company's adopted accounting policy linked to cryptographic assets, after reversing the amount included in the 'Revaluation surplus reserve'.

During the year, an asset with a €nil carrying value was sold to an unrelated third party for a consideration of €184,982.

The additions amounting to €841,380 are in relation to capitalisation of consultant expenses which have met the criteria of IAS 38, as per accounting policy 1.4.

5. Investment in subsidiary undertakings

	2022 €	2021 €
Investment in Digital World Ltd.	2,600,953	1,300,954
Investment in Time2play Media Ltd.	1,000,882	900
Investment in Kafe Rocks USA LLC	880	880
	3,602,715	1,302,734
	2022 €	2021 €
Opening balance	1,302,734	-
Additions	2,299,981	1,302,734
	3,602,715	1,302,734

In 2022, the Company contributed €1,300,000 (2021: €1,300,000) to Digital World Ltd. to acquire intangible assets. Further, the Company has advanced €1,000,000 to Time2play Media Ltd. in 2022 for shares which the underlying Company will issue in 2023.

The Company's subsidiary undertakings as at 31 December 2022 and 2021 are shown below:

	Registered office	Class of shares held	Percentage of shares held % - 2022	Percentage of shares held % - 2021
Digital World Ltd.	Summerville, 39 Qrib San Anton, Attard ATD 1111, Malta.	Ordinary shares	79.5	79.5
Time2play Media Ltd.	Emms Lodge 3, Triq Il-Qasab, Mensija, St Julians, Malta.	Ordinary shares	73.0	75.0
Kafe Rocks USA LLC	8400 Witez Court, Parker, CO 80134, USA.	Ordinary shares	100.0	100.0

6. Leases

(i) Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:-

	2022 €	2021 €
Right of use asset		
Office space	198,909	-
Lease liabilities		
Current	62,263	-
Non-current	128,602	-
	190,865	-

During the year, there were additions of €216,992.

(ii) Amounts recognised in the statement of comprehensive income

The statement of comprehensive income shows the following amounts relating to leases:

	2022 €	2021 €
Depreciation charge of right of use assets	18,083	-
Interest expense (included in finance costs) (Note 14)	1,837	-
	19,920	-

The total cash outflow in 2022 relating to leases captured by IFRS 16 amounted to €55,600 (2021: €nil).

7. Trade and other receivables

	2022 €	2021 €
Trade receivables - gross	1,542,590	1,490,239
Loss allowance	(447,670)	(245,015)
Trade receivables – net	1,094,920	1,245,224
Other receivables	8,641	4,501
Amounts due from subsidiary	1,484,209	-
Accrued income	1,357,100	1,426,757
Prepayments	144,621	118,243
	4,089,491	2,794,725

Amounts due from subsidiary are unsecured, interest free and repayable on demand. However, subsequent to year end, the Company entered into an agreement that any amount up to €2,000,000 will be converted to equity, and any amount advanced in excess of €2,000,000 will be due to the Company on demand.

8. 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	1,092,132	926,305

9. Share capital

	2022 €	2021 €
Authorised		
1,200 Ordinary A shares of €1 each	1,200	1,200
300 Ordinary B shares of €1 each	300	300
	1,500	1,500
Issued and fully paid		
1,200 Ordinary A shares of €1 each	1,200	1,200
6 Ordinary B shares of €1 each	6	6
	1,206	1,206

All ordinary shares share rank equally except for:

- Ordinary B shares shall not have voting rights and;
- Ordinary B shares shall be entitled to surplus assets of the Company on winding down provided that such value would not exceed 100% of the aggregate paid up nominal value of the Ordinary B shares.

Capital contribution reserve

In 2021, the Company and its immediate parent shareholder, Spicy Investments Ltd, entered into a capital contribution agreement regarding an unconditional gratuitous capital contribution amounting to €1,300,000.

10. Trade and other payables

	2022	2021
	€	€
Trade payables	245,762	283,214
Amounts owed to immediate parent company	1,633,771	962,667
Borrowings owed to immediate parent company (including accrued interest)	2,433,721	-
Indirect taxation	104,272	116,935
	4,417,526	1,362,816

Amounts owed to immediate parent company are unsecured, interest free and repayable on demand. The borrowings owed to the immediate parent company amounting to €2,300,000 bear interest at 8% and are repayable on demand.

As at 31 December 2022, the current liabilities exceed the current assets by €1,251,103. The Company's current liabilities include an amount due to the immediate parent of €4,067,492. These financial statements have been prepared on a going concern basis which assumes that the immediate parent will not request the repayment of amounts owed to it until the Company has sufficient funds to do so. This support is valid for a minimum period of twelve months from when these financial statements were available for issuance.

11. Revenue

	Year ended 31 December 2022	Year ended 31 December 2021
	€	€
Fixed fees	2,382,435	1,646,296
Listing fees	406,914	581,612
Revenue share	14,027,633	15,586,299
	16,816,982	17,814,207

12. Expenses by nature

	Year end 31 December 2022 €	Year end 31 December 2021 €
Marketing costs	3,814,867	3,234,207
Consultancy fees	3,253,865	3,948,716
Employee benefit expense (Note 13)	2,463,398	2,288,934
Amortisation of intangible assets (Note 4)	321,096	335,128
Depreciation of right of use asset (Note 6)	18,083	-
Depreciation of property, plant and equipment	-	1,200
Software, computer and office equipment	339,243	721,247
Professional fees	164,525	107,481
Subscriptions and licenses	261,806	170,732
Travelling and accommodation	200,567	129,218
Donations	50,420	40,200
Rent	35,100	45,000
Entertainment expenses	118	2,119
Movement in loss allowance (Note 7)	202,655	(5,018)
Bad debts written off	9,096	31,416
Office stationery and printing	1,269	1,153
Other operating expenses	49,950	213,675
Staff related expenses	484,062	463,073
Total direct costs and administrative expenses	11,670,120	11,728,481

Other losses amounting to €491,695 are in relation to a waiver of operational intercompany balances with a subsidiary. Accordingly, this balance has been recognised as an 'other loss' in the statement of comprehensive income.

Fees (exclusive of VAT) charged by the auditor for services rendered during the financial years ended 31 December 2022 and 2021 relate to the following:

	Year end 31 December 2022 €	Year end 31 December 2021 €
Annual statutory audit	20,950	17,500
Tax compliance services	1,500	2,300
	22,450	19,800

13. Employee benefit expense

	Year end 31 December 2022 €	Year end 31 December 2021 €
Gross wages	2,999,004	2,176,682
Social security	150,044	107,112
Recharges to subsidiary	(690,231)	-
Other benefits	4,581	5,140
	2,463,398	2,288,934

The average number of persons employed during the year ended 31 December 2022 is 62 (2021: 44).

14. Finance costs

	Year end 31 December 2022 €	Year end 31 December 2021 €
Bank charges	19,931	8,821
Unrealised exchange rate variance	7,654	(5,363)
Realised exchange rate variance	15,172	7,854
Interest on amounts due to parent company	133,721	-
Interest expense on leases (Note 6)	1,837	-
	178,315	11,312

15. Tax expense

	Year end 31 December 2022 €	Year end 31 December 2021 €
Current tax expense	(1,896,716)	(2,217,163)

15. Tax expense - continued

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

	Year end 31 December 2022 €	Year end 31 December 2021 €
Profit before tax	4,332,370	6,074,414
Tax on profit at 35%	(1,516,330)	(2,126,045)
Tax effect of:		
Disallowed expenses	(350,159)	(81,024)
Effect of an under provision in previous years	-	(10,514)
Unrecognised deferred tax	(30,227)	-
Other	-	420
Tax charge in the accounts	(1,896,716)	(2,217,163)

16. Dividends

	Year end 31 December 2022 €	Year end 31 December 2021 €
Final dividends declared on ordinary shares:		
Gross	1,076,923	5,083,155
Tax at source	(376,923)	(1,779,104)
Net dividends	700,000	3,304,051
Dividends per share	580.43	2,739.68

17. Cash generated from operations

(i) Reconciliation of profit before tax to cash generated from operations:

	Year ended 31 December 2022 €	Year ended 31 December 2021 €
Profit before tax	4,332,370	6,074,414
Adjustments for:		
Amortisation of intangible assets (Note 4)	321,096	335,128
Depreciation of right of use assets (Note 6)	18,083	-
Depreciation of property, plant and equipment	-	1,200
Increase in provisions for impairment of trade receivables (Note 7)	202,655	-
Impairment on intangible assets (Note 4)	327,639	-
Gain on sale of intangible asset (Note 4)	(184,982)	-
Write off of intercompany balances (Note 12)	491,695	-
Write off of trade receivables	-	31,416
Unrealised exchange gain/(loss)	7,654	(5,364)
Realised exchange rate variance of bank balances	15,172	(8,821)
Bank charges	19,931	8,821
Interest on amounts due to parent company (Note 14)	135,558	-
Changes in working capital:		
Increase in trade and other receivables	(1,188,160)	(896,649)
(Decrease)/increase in trade and other payables	(875,632)	171,378
Increase/(decrease) in amounts owed to shareholders	822,420	(48,759)
Cash generated from operations	<u>4,445,499</u>	<u>5,662,764</u>

Non-cash transaction: The increase in investment in subsidiary amounting to €2,299,981 is still included within trade and other payables.

18. Related party transactions

Year-end balances with related parties are disclosed in Notes 7 and 10 to these financial statements. Key management personnel remuneration during the year amounted to €174,270 (2021: €145,090). During the year, the Company charged a subsidiary €690,231 of salary costs and €312,900 of administrative expenses.

19. Statutory information

KaFe Rocks Ltd is a limited liability company and is incorporated in Malta.

The immediate parent company of KaFe Rocks Ltd is Spicy Investments Ltd, a company registered in Malta, with its registered address at Emms Lodge, 3, Triq il-Qasab Mensija, St Julians.

20. Comparative information

Comparative figures disclosed in the main components of these financial statements have been reclassified to conform with the current year's presentation format for the purpose of fairer presentation.

