

EMMA GAMMA LIMITED

**Special purpose condensed consolidated interim financial
statements
30 June 2021**

Contents

Officers and Professional Advisors	3
Consolidated Statement of Financial Position	4
Consolidated Statement of Comprehensive Income	6
Statement of Changes in Equity attributable to holders of the parent Company	7
Consolidated Statement of Cash Flows	9
Notes to the Consolidated Financial Statements	10
1. Description of the Group	10
2. Basis of preparation	12
3. Significant accounting policies	16
4. Operating environment	31
5. Critical accounting estimates and judgements	32
6. Intangible assets	33
7. Property, plant and equipment	34
8. Cash and cash equivalents	35
9. Financial assets	35
10. Loans receivable	37
11. Trade and other receivables	37
12. Inventories	37
13. Other assets	37
14. Investments in associates	38
15. Loans and borrowings	40
16. Bonds issued	40
17. Financial liabilities at fair value through profit or loss	41
18. Trade and other payables	41
19. Other liabilities	41
20. Deferred tax liability and asset	41
21. Equity	42
22. Revenue from betting activities and casino games and other income related to gaming	43
23. Services and material expenses	44
24. Personnel expenses	44
25. Reversal of impairment losses on loans and receivables	44
26. Other operating income	44
27. Other operating expenses	45
28. Net finance income/expense	45
29. Income tax expense	46
30. Related party transactions	46
31. Events after the reporting period	47

Officers and Professional Advisors

Board of Directors	Demetrios Aletraris Radka Blažková Andri Pangalou
Secretary	Cymanco Services Limited 5 Esperidon Street 4th floor 2001 Nicosia Cyprus
Independent Auditors	KPMG Limited Certified Public Accountants and Registered Auditors 14 Esperidon Street 1087 Nicosia Cyprus
Bankers	PPF Bank a.s. J&T Bank a.s. Hellenic Bank Public Company Ltd Zagrebačka Banka D.D. Erste & Steiermarkische Bank D.D.
Registered Office	48 Themistokli Dervi Avenue Athienitis Centennial Building, 3 rd floor, Office 303 1066 Nicosia Cyprus
Registration number	HE347073

EMMA GAMMA LIMITED
Special Purpose Condensed Consolidated Interim Statement of Financial Position
as at 30 June 2021

	Notes	30.6.2021 TEUR	31.12.2020 TEUR
ASSETS			
Non-current assets			
Goodwill	6	453,527	451,558
Other intangible assets	6	62,384	60,356
Property, plant and equipment	7	9,062	8,489
Investments in associates	14	1,324	1,438
Loans receivable	10	48	27
Financial assets - deposits	9	1,126	1,381
Other assets	13	47	33
Deferred tax asset	20	2	3
Total non-current assets		527,520	523,285
Current assets			
Inventories	12	572	512
Loans receivable	10	98	10,056
Current income tax assets		41	--
Trade and other receivables	11	5,401	5,004
Other assets	13	1,417	2,280
Financial assets at fair value through profit or loss	9	--	257
Financial assets at amortised cost - promissory notes	9	--	29,693
Cash and cash equivalents	8	90,201	80,884
Total current assets		97,730	128,686
Total assets		625,250	651,971

The notes on pages 10 to 47 are an integral part of these special purpose condensed consolidated interim financial statements.

EMMA GAMMA LIMITED
Special Purpose Condensed Consolidated Interim Statement of Financial Position
as at 30 June 2021

	Note	30.6.2021 TEUR	31.12.2020 TEUR
EQUITY			
Equity attributable to equity holders of the parent company			
Share capital	21	1	1
Share premium	21	111,839	111,839
Translation reserve	21	(16)	(58)
Retained earnings		272,791	287,844
Profit for the period		16,545	27,310
Equity attributable to owners of the Company		401,160	426,936
Non-controlling interest		27,599	27,022
Total equity		428,759	453,958
LIABILITIES			
Non-current liabilities			
Due to banks and other financial institutions	15	61,796	67,421
Bonds and notes issued	16	89,259	88,673
Lease liabilities	7	5,139	4,940
Other liabilities	19	179	261
Deferred tax liabilities	20	10,723	10,683
Total non-current liabilities		167,096	171,978
Current liabilities			
Due to banks and other financial institutions	15	12,593	12,530
Bonds and notes issued	16	—	392
Current income tax liabilities		3,445	1,255
Trade and other payables	18	1,686	1,248
Lease liabilities	7	2,370	2,240
Other liabilities	19	9,301	8,370
Total current liabilities		29,395	26,035
Total liabilities		196,491	198,013
Total equity and liabilities		625,250	651,971

On 21 September 2020, the Board of Directors of EMMA GAMMA LIMITED authorised these special purpose condensed consolidated interim financial statements for issue.


Demetrios Alexopoulos
Director


Radka Blažková
Director

The notes on pages 10 to 47 are an integral part of these special purpose condensed consolidated interim financial statements.

EMMA GAMMA LIMITED
Special Purpose Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income
for the six months ended 30 June 2021

	Note	1-6/2021 TEUR	1-6/2020 TEUR
Revenues from betting activities and casino games	22	49,786	42,341
Revenues from marketing services		370	--
Other income related to gaming	22	10,570	7,587
Services and material expenses	23	(15,516)	(12,470)
Personnel expenses	24	(8,943)	(7,930)
Reversal of impairment of loans and receivables	25	4	79
Depreciation and amortisation	6,7	(1,895)	(1,725)
Other operating income	26	1,866	1,087
Other operating expenses	27	(32)	(930)
Profit from operations		36,210	28,039
Finance income	28	926	4,892
Finance expense	28	(3,883)	(7,027)
Net finance expense		(2,957)	(2,135)
Associates – share of loss	14	(141)	--
Profit before tax		33,112	25,904
Income tax	29	(6,544)	(5,058)
Profit from continuing operations after tax		26,568	20,846
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences		82	(435)
Associates – share of OCI		27	--
Other comprehensive income / (expense) for the period		109	(435)
Total comprehensive income for the period		26,677	20,411
Profit/loss attributable to:			
Owners of the Company		16,545	11,786
Non-controlling interests		10,023	9,060
		26,568	20,846
Total comprehensive income attributable to:			
Owners of the Company		16,587	11,453
Non-controlling interests		10,090	8,958
		26,677	20,411

The notes on pages 10 to 47 are an integral part of these special purpose condensed consolidated interim financial statements.

EMMA GAMMA LIMITED
*Special Purpose Condensed Consolidated Interim Statement of Changes in Equity
for the six months ended 30 June 2021*

	Share capital TEUR	Capital reserves TEUR	Translation reserves TEUR	Retained earnings TEUR	Total – Owners of the Company TEUR	Non-controlling interest TEUR	Total equity TEUR
Balance as at 1 January 2020	1	111,839	(150)	376,431	488,121	27,950	516,071
Profit for the period	--	--	--	11,786	11,786	9,060	20,846
Translation reserve changes	--	--	(333)	--	(333)	(102)	(435)
Total comprehensive income / (expense) for the period	--	--	(333)	11,786	11,453	8,958	20,411
Transactions with owners recognised directly in equity							
Contributions by and distributions to owners							
Dividends	--	--	--	(30,000)	(30,000)	(11,477)	(41,477)
Changes in ownership interests in subsidiaries:							
Effect from acquisitions through business combinations	--	--	--	--	--	--	--
Total transactions with owners	--	--	--	(30,000)	(30,000)	(11,477)	(41,477)
Other movements	--	--	--	--	--	--	--
Balance as at 30 June 2020	1	111,839	(483)	358,217	469,574	25,431	495,005

The notes on pages 10 to 47 are an integral part of these special purpose condensed consolidated interim financial statements.

EMMA GAMMA LIMITED
Special Purpose Condensed Consolidated Interim Statement of Changes in Equity
for the six months ended 30 June 2021

	Share capital TEUR	Capital reserves TEUR	Translation reserves TEUR	Retained earnings TEUR	Total – Owners of the Company TEUR	Non-controlling interest TEUR	Total equity TEUR
Balance as at 1 January 2021	1	111,839	(58)	315,154	426,936	27,022	453,958
Profit for the period	--	--	--	16,545	16,545	10,023	26,568
Translation reserve changes	--	--	15	--	15	67	82
Associates – share of OCI	--	--	27	--	27	--	27
Total comprehensive income / (expense) for the period	--	--	42	16,545	16,587	10,090	26,677
Transactions with owners recognised directly in equity							
Contributions by and distributions to owners							
Dividends	--	--	--	(42,500)	(42,500)	(10,060)	(52,560)
Other distributions	--	--	--	(241)	(241)	--	(241)
Changes in ownership interests in subsidiaries:							
Transactions NCI without change in control	--	--	--	378	378	149	527
Effect from acquisitions through business combinations	--	--	--	--	--	398	398
Total transactions with owners	--	--	--	(42,363)	(42,363)	(9,513)	(51,876)
Other movements	--	--	--	--	--	--	--
Balance as at 30 June 2021	1	111,839	(16)	289,336	401,160	27,599	428,759

The notes on pages 10 to 47 are an integral part of these special purpose condensed consolidated interim financial statements.

EMMA GAMMA LIMITED
Special Purpose Condensed Consolidated Interim Statement of Cash Flows
for the six months ended 30 June 2021

	Note	1-6/2021 TEUR	1-6/2020 TEUR
Cash flows from operating activities			
Profit for the period after tax		26,568	20,846
Adjustment for:			
Depreciation and amortisation	6,7	1,895	1,725
(Reversal of) impairment losses on financial assets	9,25	(4)	(79)
Revaluation of financial instruments at fair value through profit and loss	9,17	257	(387)
Settlement of derivatives	9	--	(98)
Share of profit of associates	14	141	--
(Gain) on sale of PPE		(3)	(1)
Net interest expense	28	2,703	2,540
Tax expense	29	6,544	5,058
Unrealised foreign exchange (gains)/losses		(297)	540
Operating profit before changes in working capital and provisions		37,804	30,144
(Increase) in inventories		(60)	(154)
Decrease in trade and other receivables		1,374	941
Increase / (Decrease) in trade and other payables		779	(2,393)
Cash generated from operating activities		39,897	28,538
Interest paid		(5,723)	(6,774)
Interest received		227	3,307
Income tax paid		(4,382)	(7,590)
Net cash generated from operating activities		30,019	17,481
Cash flows from investing activities			
Proceeds from sale of associates	14	30,000	90,000
Proceeds from sale of property, plant and equipment	7	17	251
Proceeds from other financial assets	9	261	452
Acquisition of subsidiary, net of cash acquired		(2,294)	--
Acquisition of property, plant and equipment	7	(433)	(305)
Acquisition of intangible assets	6	(1,921)	--
Loans repaid / (provided)	10,15	10,691	(35,002)
Net cash generated from investing activities		36,321	55,396
Cash flows from financing activities			
(Repayment) / Proceeds from interest-bearing loans and borrowings		(3,125)	3,246
Payment of lease liabilities		(1,097)	(1,480)
Dividends paid and other distributions		(52,801)	(41,477)
Net cash (used in) financing activities		(57,023)	(39,711)
Net movement in cash and cash equivalents		9,317	33,166
At the beginning of the period	8	80,884	54,214
At the end of the period	8	90,201	87,380

The notes on pages 10 to 47 are an integral part of these special purpose condensed consolidated interim financial statements.

1. Description of the Group

EMMA GAMMA LIMITED (the “Company”) was incorporated in Cyprus on 16 September 2015 as a private limited liability company under the Cyprus Companies Law, Cap. 113. Its Registered Office is at 48 Themistokli Dervi Avenue, Athienitis Centennial Building, 3rd Floor, Office 303, 1066 Nicosia, Cyprus.

The special purpose condensed consolidated interim financial statements of the Company as at and for the six months ended 30 June 2021 comprise the Company and its subsidiaries (together referred to as “the Group”) and the Group’s interest in associates.

Shareholders

The owner of the Company is as follows:

Shareholders	Country of incorporation	Type of shares	Ownership interest (%)	
			2021	2020
EMMA ALPHA HOLDING LTD	Cyprus	Ordinary shares	100.00	100.00

Principal activities

The principal activities of the Group are the provision of financing, the holding of investments and provision of betting activities and casino games.

Description of the Ownership Structure

The Company controls, directly or indirectly, other companies in Croatia and Slovakia. Subsidiary companies are controlled by the Company and they are fully consolidated. Investments in the associated companies are included in the special purpose condensed consolidated interim financial statements using the equity method.

Consolidated subsidiaries	Country of incorporation	Ownership interest (%)	
		2021	2020
EMMA GAMMA FINANCE a.s.	Slovakia	100.00	100.00
EMMA GAMMA Adriatic d.o.o. ¹⁾	Croatia	100.00	100.00
Super Sport d.o.o. ²⁾	Croatia	65.45	65.45
Minus5 d.o.o.	Croatia	51.00	51.00
Puni broj d.o.o. ²⁾	Croatia	65.45	65.45
VOX-ZAGREB d.o.o. ³⁾	Croatia	45.00	--

- 1) The name of entity SAZKA Group Adriatic d.o.o. was changed to EMMA GAMMA Adriatic d.o.o. on 11 May 2020.
- 2) From a legal perspective, the current shareholding equals to 65.45%. For the reasons explained in Note 30, the Group consolidate an additional shareholding of 1.55% in Super Sport d.o.o. and Puni broj d.o.o.
- 3) On 1 June 2021 the Company had acquired shares in VOX-ZAGREB d.o.o. representing 60.00 % of its share capital. Right after the acquisition, 15 % of the shares was sold, thus the shareholding was decreased to 45.00 %. The Company still holds the control as it holds 60.00 % of the voting rights in VOX-ZAGREB d.o.o. For further information refer to Note 1.

Equity-accounted investees (associates)	Country of incorporation	Ownership interest (%)	
		2021	2020
Huddle Gaming, Inc ¹⁾	United States of America	23.33	21.88

- 1) The ownership interest increased by the reduction of shares. For further information refer to Note 14.

1. Description of the Group (continued)

Acquisitions and disposals in 2021

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition of VOX-ZAGREB d.o.o.:

	Note	TEUR
Property, plant and equipment	7	293
Current income tax assets		36
Loans receivable	10	468
Trade and other receivables	11	379
Other assets	13	16
Cash and cash equivalents	8	272
Trade and other payables	18	(386)
Lease liabilities	7	(46)
Due to banks and other financial institutions	15	(37)
Total identifiable net assets acquired		995
Non-controlling interest (on fair value of net assets)		(398)
Consideration, paid in cash		(2,566)
Goodwill	6	(1,969)

Cash effect on acquisition

Consideration, paid in cash	(2,566)
Cash (acquired)	272
Net cash outflow	(2,294)

On 1 June 2021, EMMA GAMMA Adriatic d.o.o. entered into the share purchase agreement with key shareholders of VOX-ZAGREB d.o.o. and acquired 60.00 % of shares in VOX-ZAGREB d.o.o. for the consideration of TEUR 2,566. The total amount of TEUR 2,566 was paid in cash; out of which TEUR 527 remains on escrow account held by escrow agent and will be released to the sellers after finalization of 2021 audit. The amount held by escrow agent is subject to the adjustment based on the 2021 financial results of VOX-ZAGREB d.o.o., however at the moment of acquisition it is highly probable, that no adjustment will be applied.

Right after the acquisition, 15.00 % of the shares was sold for the sales price of TEUR 527, thus the shareholding was decreased to 45.00 %. The Company still holds the control as it holds 60.00 % of the voting rights in VOX-ZAGREB d.o.o.

Acquisitions and disposals in 2020

On 18 November 2020, the Group entered into a Series A Preferred Stock Purchase Agreement, to acquire 20,000 shares of the Series A Preferred Stock in Huddle Gaming, Inc with acquisition price of USD 100 per share. Under the terms of the agreement the total purchase price was TEUR 1,686. Principal activities of Huddle Gaming, Inc are gaming, software development, product development, and sports betting.

On 30 December 2020, the Group sold 2,500 shares in Huddle Gaming, Inc to an individual for a sales price of TEUR 211.

The following table provides the detail of the transactions:

	Notes	TEUR
18 November 2020		
Purchase of 20,000 shares	14	1,686
30 December 2020		
Sale of 2,500 shares to an individual – carrying value	14	(207)
Consideration, receivable	14	211
Net gain from sale of 2,500 shares in Huddle Gaming, Inc	14	4

2. Basis of preparation

The special purpose condensed consolidated interim financial statements for the six months ended 30 June 2021 comprise the financial statements of the Company and its subsidiaries and the Group's interest in associates (together referred to as the "Group").

(a) Statement of compliance

These special purpose condensed consolidated interim financial statements have been prepared in accordance with the financial reporting provisions of Section 4.4 of the Security Prospectus Notes dated 10 May 2019 ("the Prospectus"), issued by the Company's subsidiary, EMMA GAMMA FINANCE a.s., and guaranteed by the Company. According to the Prospectus, the Company as a guarantor on the Notes, is required to prepare special purpose condensed consolidated interim financial statements for the purpose of monitoring financial indicators, and more specifically, to calculate the Net Debt Ratio on 31 December and 30 June of each year based on financial data and figures stated in the Company's special purpose condensed consolidated financial statements.

(b) Basis of measurement

These special purpose condensed consolidated interim financial statements have been prepared under the historic cost convention basis, except in the case of financial instruments at fair value through profit or loss and financial assets FVOCI which are measured at fair value. Financial assets and liabilities and non-financial assets and liabilities which are valued at historic cost are stated at amortised cost or historic cost, as appropriate, net of any relevant impairment.

(c) Presentation and functional currency

The functional currency of the Company is the Euro. The functional currency of Company's Croatian subsidiaries is the Croatian Kuna and for the Slovak subsidiary is the Euro. These special purpose condensed consolidated interim financial statements are presented in Euro. Financial information has been rounded to the nearest thousand (TEUR).

2. Basis of preparation (continued)

(d) Use of estimates and judgements

The preparation of the special purpose condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and various other factors that are deemed to be reasonable based on knowledge available at that time. Actual results may deviate from such estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the estimate affects only that period, or in the period of the revision and future periods, if the revision affects the present as well as future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgments made by management in preparing these special purpose condensed consolidated interim financial statements in respect of impairment recognition is described in Note 3 (c) (vii) and Note 25.

Information about assumptions and estimation uncertainties at the reporting date that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next reporting period is included in the following notes:

- Note 20 “Deferred tax liability and asset”: recognition of deferred tax assets: availability of future taxable profit against which carry forward tax losses can be used.
- Note 29 “Income tax expense/credit”: to determine any provision for income taxes.
- Note 10 “Loans receivable”: measurement of ECL allowance for loans and receivables - key assumptions in determining the weighted average loss rate.
- Note 1 “Description of the Group” - acquisition of subsidiaries: fair value measurement on a provisional basis.

(e) Basis of consolidation

The Group special purpose condensed consolidated interim financial statements comprise the financial statements of the parent company, EMMA GAMMA LIMITED, and the financial statements of its subsidiaries as stated in Note 1. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries acquired or disposed of during the year are included in the Special Purpose Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income from the date on which control effectively commences until the date on which control effectively ceases.

Legal restructuring and mergers involving companies under common control are accounted for using consolidated net book values, consequently no adjustment is made to carrying amounts in the consolidated accounts and no goodwill arises on such transactions.

2. Basis of preparation (continued)

(e) Basis of consolidation (continued)

(ii) Associates

Associates are enterprises in which the Group has significant influence, but not control, over the financial and operating policies. The special purpose condensed consolidated interim financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date on which significant influence effectively commences until the date on which significant influence effectively ceases. Under equity method, an investment in an associate is initially recognised in the special purpose condensed consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses exceeds the Group's interest in the associate, that interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains or losses arising from intra-group transactions, are eliminated in the special purpose condensed consolidated interim financial statements. Unrealised gains arising from transactions with associates are eliminated against the investment in the associate to the extent of the Group's interest in the enterprise. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(iv) Changes in the Company's ownership interests in existing subsidiaries

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries.

Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Company loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

2. Basis of preparation (continued)

(e) Basis of consolidation (continued)

(v) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities are recognised and measured in accordance with IAS 12 Income Taxes; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a gain on bargain purchase.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IFRS 9, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Company's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Company obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these special purpose condensed consolidated interim financial statements and in stating the financial position of the Group. The accounting policies have been consistently applied by all Group entities.

(a) Foreign currency

(i) Foreign currency transactions

A foreign currency transaction is a transaction that is denominated in or requires settlement in a currency other than the functional currency. The functional currency is the currency of the primary economic environment in which an entity operates. For initial recognition purposes, a foreign currency transaction is translated into the functional currency using the foreign currency exchange rate ruling at the date of the transaction. The exchange rate as published by the European Central Bank is used.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate ruling at the date on which the fair value was determined. Non-monetary assets and liabilities denominated in foreign currencies that are measured in terms of historical cost are retranslated using the exchange rate ruling at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for the differences arising on the retranslation of equity investments designed at FVOCI which are recognised in other comprehensive income (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss).

(ii) Financial information of foreign operations

Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to EUR at exchange rates ruling at the reporting date. Income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to EUR at rates approximating the foreign exchange rates ruling at the dates of the transactions.

Foreign currency differences arising on translation are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. However, if the foreign operation is a non-wholly owned subsidiary, the relevant proportion of the translation difference is allocated to non-controlling interests.

When a foreign operation is disposed of so that control, significant influence or joint control is lost, the cumulative amount in the foreign currency translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

(b) Cash and cash equivalents

The Group considers cash in hand, unrestricted balances with banks and other financial institutions due within one month to be cash and cash equivalents.

3. Significant accounting policies (continued)

(c) Financial assets and liabilities

(i) Classification

On initial recognition, a financial asset, included promissory notes, are classified as measured at: amortised cost; debt investments measured as fair value through other comprehensive income (FVOCI), equity investments measured as FVOCI; or financial assets measured as fair value through profit and loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised costs or FVOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial asset to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the asset;
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for its purpose, consistent with the Group's continuing recognition of the assets.

3. Significant accounting policies (continued)

(c) Financial assets and liabilities (continued)

(i) Classification (continued)

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of the time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs) as well as profit margin.

In assessment whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing of amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for trading, it is a derivative or it is designed as such on initial recognition.

(ii) Recognition

Trade receivables and debt securities issued are initially recognised in the statement of financial position when they are originated. All other financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(iii) Measurement

Financial assets at FVTPL are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost are subsequently measured at amortised cost using effective interest rate method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

3. Significant accounting policies (continued)

(c) Financial assets and liabilities (continued)

(iii) Measurement (continued)

Debt instruments at FVOCI are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVOCI are subsequently measured at fair value. Dividend are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iv) Fair value measurement

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (such as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using valuation techniques.

Valuation techniques include net present value and comparison to similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other parameters used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

(v) Amortised cost measurement principles

The amortised cost of a financial asset or liability is the amount in which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between the initial amount recognised and the maturity amount, net of any relevant impairment.

3. Significant accounting policies (continued)

(c) Financial assets and liabilities (continued)

(vi) *Gains and losses on subsequent measurement*

Gains and losses on financial instruments classified as at fair value through profit or loss are recognised in profit or loss.

Gains and losses on FVOCI financial assets are recognised in other comprehensive income (including for impairment losses but except foreign exchange gains and losses) until the asset is derecognised, at which time the cumulative gain or loss previously recognised in other comprehensive income is reclassified to profit or loss.

For financial assets and liabilities carried at amortised cost, a gain or loss is recognised in profit or loss when the financial asset or liability is derecognised or impaired, and through the amortization process.

(vii) *Identification and measurement of impairment*

The Group has developed a provisioning policy, which describes in detail the procedures and methodology of the impairment measurement, and a write-off policy. The impairment measurement is dealt with as follows:

The Group uses for the recognition and measurement of impairment losses of financial assets measured at amortised costs and debt investments measured at FVOCI the “expected credit loss” model (ECLs).

The Group measures loss allowance at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities and provided loans that are determined to have low credit risk at the reporting date; and
- other debt securities, provided loans and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to the lifetime ECLs.

The Group assesses on a regular basis whether there is objective evidence that financial assets carried at amortised costs and debt securities at FVOCI are credit impaired. Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of credit impairment exists for an individually assessed financial assets, whether significant or not, it includes the assets in a group of financial assets with similar risk characteristics and collectively assesses them for credit impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

A significant increase in credit risk (SICR) represents a significant increase in the risk of default in respect of a financial assets as at the reporting date compared with the risk as at the date of initial recognition. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information.

3. Significant accounting policies (continued)

(c) Financial assets and liabilities (continued)

(vii) Identification and measurement of impairment (continued)

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the trade or other receivable is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

In some cases the observable data required to estimate the amount of an impairment loss on a financial asset may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Group uses its experience and judgement to estimate the amount of any credit impairment loss.

All impairment losses in respect of financial assets are recognised in profit or loss and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount of the asset that would have been determined, net of amortisation, if no impairment loss had been recognised.

(viii) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

3. Significant accounting policies (continued)

(c) Financial assets and liabilities (continued)

(ix) Offsetting

Financial assets and liabilities are off set and the net amount presented 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 realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

(d) Intangible assets

Goodwill and gain on bargain purchase

Goodwill arising on an acquisition represents the excess of the cost of the acquisition over the Group's interest in the fair value of the net identifiable assets and liabilities of the acquiree. When the excess is negative (gain on a bargain purchase), it is recognised immediately in profit and loss. Goodwill is stated at cost less accumulated impairment losses (refer to Note 6).

In respect of associates, the carrying amount of any goodwill is included in the carrying amount of the investment in the associate.

Software and other intangible assets

Software and other intangible assets that have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

Amortisation is calculated over the cost of the asset, or other amount substituted for cost, less its residual value. Amortisation is recognised in profit or loss on a straight line basis over their estimated useful lives (1 - 3 years), from the date that they are available for use. Amortisation method, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

3. Significant accounting policies (continued)

(e) Property, plant and equipment

The property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses.

The cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use.

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. All other repairs and maintenance expenses are charged to the income statement during the financial period in which they are incurred.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognised in profit or loss.

Depreciation on assets is calculated using the straight-line method to allocate their cost less their residual values over their estimated economic useful lives, as follows:

	<u>Years</u>
Other tangible assets	1 – 16
Vehicles	3 – 8
Land and buildings	5 – 50

The items of property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term. Land is not depreciated.

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date.

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.

The depreciation and impairment losses are charged to profit or loss.

3. Significant accounting policies (continued)

(f) **Leases – the entity acting as a lessee**

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 of consideration.

The Entity acting as a lessee recognizes a right-of-use asset and the related lease liability in the balance sheet with exceptions where:

- the lease term does not exceed 12 months or;
- the underlying asset has a low value.

Right-of-use asset

At the commencement date, a right-of-use asset is measured at cost which comprises:

- the amount of the initial measurement of the lease liability,
- any lease payments made at or before the commencement date, less any lease incentives received,
- any initial direct costs incurred by the lessee,
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset.

A right-of-use asset is recognized in the statement of financial position in line Property, plant and equipment and is depreciated over the shorter of economic useful life of the underlying asset or the lease term. The related depreciation is recognized in the profit or loss in line Other operating expenses.

Lease liability

At the commencement date, a lease liability is initially measured at the present value of the lease payments which that are not paid at that date. The lease payments are discounted using an interest rate which a lessee would have to pay, if a lessee borrowed cash to acquire the underlying asset taking into consideration the terms relating to a lease (i.e. lease/loan term, amount of loans, etc.).

Subsequently, the lease liability is remeasured when there is change in future lease payment (e.g. due to a change in an assessment whether and when it will exercise extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the income statement if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is recognized in the statement of financial position and presented in line Lease liabilities.

Interest expense on lease liability are recognized in profit or loss and presented in line Finance expense using the effective interest rate.

3. Significant accounting policies (continued)

(g) Impairment for non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash Generating Units (CGUs). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(h) Trade and other receivables

Trade receivables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest rate method. Trade and other receivables are stated after deducting the appropriate allowances for any impairment.

Adjustments are made for impairment when there is evidence that the Company will not be able to collect receivables originally agreed maturity.

Special financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, failure to pay on time or delays in payments (more than 60 days maturity) are considered indicators of impairment claims. Also, it is a provision for doubtful debts total values older than 180 days. The carrying amount of the asset is reduced through an allowance account and the amount of the loss is recognised in profit or loss.

Uncollectible accounts receivable are recorded as expenses when they are identified.

The impairment loss related to a receivable is reversed if the subsequent increase in recoverable amount can be related to an event occurring after the impairment loss was recognised.

(i) Equity

i. Share capital

Share capital represents the nominal value of shares issued by the Company. To the extent such shares remain unpaid as of the end of the reporting period a corresponding receivable is presented in other assets.

3. Significant accounting policies (continued)

(i) Equity (continued)

ii. Dividends

Dividends on share capital are recognised as a liability provided they are declared before the end of the reporting period. Dividends declared after the end of the reporting period are not recognised as a liability but are disclosed in the notes.

iii. Non-controlling interests

Non-controlling interests consist of the minority shareholders' proportion of the fair values of a subsidiary's net assets, at the date of the original combination, plus or minus their share of changes in the subsidiary's equity since that date.

iv. Translation reserves

The translation reserves include exchange differences relating to the translation of the results and net assets of the Group's foreign operations from functional to the Group's presentation currency. Exchange differences previously accumulated in the translation reserves are reclassified to profit or loss on the disposal of the foreign assets and operations.

v. Capital reserve

The Capital reserve represents other capital contributions by shareholders of the Company out of the share capital (without issue of new shares).

(j) Other payables

Accounts payable arise when the Group has a contractual obligation to deliver cash or another financial asset. Accounts payable are measured at amortised cost, which is normally equal to their nominal or repayment value.

(k) Revenue

In accordance with IFRS 15, the Group has adopted a five-step model to determine when to recognise revenue, and at what amount. The model specifies that revenue should be recognised when (or as) the Group transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:

- over time, in a manner that depicts the entity's performance; or
- at a point in time, when control of the goods or services is transferred to the customer.

IFRS 15 also establishes the principles that an entity shall apply to provide qualitative and quantitative disclosures which provide useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

The Clarifications to IFRS 15 clarify some of the Standard's requirements and provide additional transitional relief for companies that are implementing the new Standard.

The amendments clarify how to:

- identify a performance obligation - the promise to transfer a good or a service to a customer in a contract;
- determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and
- determine whether the revenue from granting a license should be recognised at a point in time or over time.

3. Significant accounting policies (continued)

(k) Revenue (continued)

The amendments also provide entities with two additional practical expedients:

- An entity need not restate contracts that are completed contracts at the beginning of the earliest period presented (for entities that using the full retrospective method only);
- For contracts that were modified before the beginning of the earliest period presented, an entity need not retrospectively restate the contract but shall instead reflect the aggregate effect of all of the modifications that occur before the beginning of the earliest period presented (also for entities recognising the cumulative effect of initially applying the standard at the date of initial application).

Revenues from betting activities and casino games

Revenues from betting activities represent amounts staked by the customers less betting payouts and betting taxes payable to the state. The amount paid by customers is deducted by 5% (transaction cost) and only remaining 95% of ticket amount is used to calculate the potential winning. Revenue is recognized when the result of the performance obligation is known, i.e. immediately after the bet event result occurs (“at a point in time”).

Revenues from casino games represent net wins in respect of bets placed on casino games less gaming tax and amounts accrued for prize pools. Revenues from the online poker business reflect the net income (rake) earned from poker games completed by the year end. Revenue is recognized when the result of the performance obligation is known, i.e. immediately after the game result occurs (“at a point in time”).

(l) Interest income and expense

Interest income and expense are recognised in the Special Purpose Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition and is not revised subsequently

The calculation of the effective interest rate includes all fees and points paid or received, transaction costs and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

(m) Fee and commission income and expenses

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income and expense relate mainly to transaction and service fees, which are recognised as the services are rendered or received.

(n) Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the Special Purpose Condensed Consolidated Interim Statement of Profit or loss and Other Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

3. Significant accounting policies (continued)

(n) Taxation (continued)

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries, branches and associates where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the end of the reporting period.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(o) Adoption of new and revised International Financial Reporting Standards and Interpretations as adopted by the European Union (EU)

Several new standards, amendments to standards and interpretations have not become effective at 30 June 2021 and have not been applied in the preparation of these special purpose condensed consolidated interim financial statements. Listed below are those that may impact the Group's operations. The Group plans to introduce these provisions when they become effective.

(i) Standards and Interpretations adopted by the EU effective for annual periods beginning on or after 1 January 2021

Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16: "Interest Rate Benchmark Reform Phase 2" (applicable for annual periods beginning on or after 1 January 2021)

Interest Rate Benchmark Reform Phase 2 addresses issues that might affect financial reporting during the reform of interest rate benchmark, including the effects of changes to contractual cash flow or hedging relationship arising from the replacement of an interest rate benchmark with an alternative benchmark rate (replacement issues).

The objectives of the Phase 2 amendments are to assist companies in:

- applying IFRS Standards when changes are made to contractual cash flows or hedging relationships because of the interest rate benchmark reform; and
- providing useful information to users of financial statements.

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (applicable for annual periods beginning on or after 1 January 2023)

The amendments clarify that the classification of liabilities as current or non-current shall be based solely on the entity's right to defer settlement at the end of the reporting period. The entity's right to defer settlement for at least 12 months from the reporting date need not be unconditional but must have substance. The classification is not affected by management's intentions or expectations about whether and when the Entity will exercise its right. The amendments also clarify the situations that are considered settlement of a liability.

Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use (applicable for annual periods beginning on or after 1 January 2022)

The amendments to IAS 16 require that the proceeds from selling items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended must be recognised, together with the cost of those items, in profit or loss and that the entity must measure the cost of those items applying the measurement requirements of IAS 2.

3. Significant accounting policies (continued)

(o) Adoption of new and revised International Financial Reporting Standards and Interpretations as adopted by the European Union (EU) (continued)

(i) Standards and Interpretations adopted by the EU effective for annual periods beginning on or after 1 January 2021 (continued)

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts - Cost of Fulfilling a Contract (applicable for annual periods beginning on or after 1 January 2022)

In determining costs of fulfilling a contract, the amendments require an entity to include all costs that relate directly to a contract. Paragraph 68A clarifies that the cost of fulfilling a contract comprises both: the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

Amendments to IAS 8 – Definition of Accounting Estimate (applicable for annual periods beginning on or after 1 January 2023):

Based on the amendment, the definition of a change in accounting estimates is replaced with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”.

Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty.

The Board clarifies that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognised as income or expense in the current period. The effect, if any, on future periods is recognised as income or expense in those future periods.

Amendments to IAS 1 and IFRS Practice Statement 2 (applicable for the annual periods beginning on or after 1 January 2023):

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) amends IAS 1 in the following ways:

- An entity is now required to disclose its material accounting policy information instead of its significant accounting policies;
- several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;
- the amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial;
- the amendments clarify that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and
- the amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.
- In addition, IFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ to accounting policy information in order to support the amendments to IAS 1.

3. Significant accounting policies (continued)

(o) **Adoption of new and revised International Financial Reporting Standards and Interpretations as adopted by the European Union (EU) (continued)**

(i) Standards and Interpretations adopted by the EU effective for annual periods beginning on or after 1 January 2021 (continued)

Amendments to IFRS 3 – Reference not the Conceptual Framework (applicable for annual periods beginning on or after 1 January 2022)

The changes in the Amendments to IFRS 3 Reference to the Conceptual Framework:

- update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework;
- add to IFRS 3 a requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and
- add to IFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

Annual Improvements to IFRS Standards 2018–2020 (applicable for annual periods beginning on or after 1 January 2022)

Amendment to IFRS 9 Financial Instruments

The improvements clarify that, when assessing whether an exchange of debt instruments between an existing borrower and lender are on terms that are substantially different, the fees to include together with the discounted present value of the cash flows under the new terms include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

Amendment to Illustrative Examples accompanying IFRS 16 Leases

The improvements remove from illustrative Example 13 accompanying IFRS 16 reference to a reimbursement by the lessor to the lessee for leasehold improvements as well as an explanation of a lessee's accounting for such reimbursement.

(ii) Standards and Interpretations not adopted by the EU

Amendments to IFRS 10 and IAS 28: “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture” (effective date postponed indefinitely)

IFRS 10 (Amendments) and IAS 28 (Amendments) “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture” (effective date postponed indefinitely).

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (as defined in IFRS 3). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business. In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting.

The Group does not expect that the Interpretation, when initially applied, will have material impact on the special purpose condensed consolidated interim financial statements for the Group.

4. Operating environment

Volatility in global financial markets

Management believes it is taking all the necessary measures to support the sustainability and growth of the Group's business in the current circumstances.

Operating environment of the Group

The Company's operations are primarily located in Cyprus, Slovakia and Croatia. Consequently, the Company is exposed to the economic and financial markets.

Within the EU, a degree of uncertainty still exists, as certain issues remain to be resolved, such as the high index of non-performing loans and unemployment.

The Group's main source of revenue derives from investments in Croatia and is based on the betting activities and casino games. As a result, the Group's revenue is highly affected from the economic environment in Croatia and the relevant local laws and regulations.

The above could affect, among others, the Group's ability to obtain new loans on favourable terms and conditions or/and its ability to achieve satisfactory turnover.

The Group's management believes that it is taking all the necessary measures to maintain the viability of the Group and the development of its business in the current business and economic environment.

Risks related to pandemic COVID 19

Despite the fact, that the main impact resulting from COVID 19 has influenced the Group during the year 2020, there is still continuing uncertainty about potential future impact on the Group. In order to ensure its operations, the Group adopted a series of measures.

Risks related to business operations, results and liquidity:

- Regarding potential Government preventive measures, such as complete lock-down of some of the premises in the countries where the Group operates, and general macroeconomic projections, there is a risk of a general decrease in the revenues from all sales channels;
- The Group was facing the limited number of sport events in March, April and May 2020, which has influenced its 2020 results. The risk of a decline in certain revenues, such as revenue from sport betting activities, continues to exist, however after the first wave the sports environment become adapted to the new situation what significantly limited this type of risk;
- The Group is prepared to apply certain measures in respect of operating expenses should the government preventive measures be implemented again;
- The Group is also monitoring the covenants related to the bonds issued by the Company and through effective cash management at the Group level, can ensure that the covenants are met.

4. Operating environment (continued)

Risks related to pandemic COVID 19 (continued)

Risk related to operational activities:

- To manage operational risk, the Group follows the business continuity protocols. The Group continues to run the operations using remote access where applicable and taking measures to protect the health of the employees working on-site;
- The Group regularly communicates with its business partners, who have also implemented the necessary measures while providing contractual services without currently identified limitations;
- The Group's operational safeguards mainly includes ensuring its operations within maximized restriction of the occurrence of employees in the workplace;
- The Company and the Group have identified its key processes that would be prioritized in the event of limited options, but at the time of preparation of these special purpose condensed consolidated interim financial statements, the Company and the Group have not identified any significant constraints and expects to be able to continue to operate in the long term.

The Company and the Group have analyzed all the risks and severe but plausible scenarios and concluded that there is no material uncertainty related to going concern.

5. Critical accounting estimates and judgements

Fair values of financial instruments

The Group has performed an assessment of fair values of its financial instruments to determine whether it is practicable within the constraints of timeliness and cost to determine their fair values with sufficient reliability.

The fair value of financial instruments traded in active markets, such as publicly traded trading and available-for-sale financial assets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

Financial instruments recorded at fair value are valued as follows: Financial instruments whose fair value is based on quoted market prices (Level 1) or calculated using valuation techniques where all the model inputs are observable in the market, typically interest rates and foreign exchange rates, (Level 2) or calculated using valuation techniques where significant model inputs are not observable in the market (Level 3).

The Group has not recognised any financial assets or liabilities at Fair value through OCI in 2021 and in 2020.

6. Intangible assets

2020	Goodwill	Software	Trademark	Other intangible assets	Total
	TEUR	TEUR	TEUR	TEUR	TEUR
Acquisition cost					
Balance as at 1 January 2020	451,558	112	59,168	21	510,859
Translation difference	--	(6)	(999)	--	(1,005)
Balance as at 30 June 2020	451,558	106	58,169	21	509,854
2021					
Acquisition cost					
Balance as at 1 January 2021	451,558	2,018	58,430	21	512,027
Acquisitions through business combinations	1,969	--	--	--	1,969
Additions	--	1,921	--	--	1,921
Translation difference	--	30	356	--	386
Balance as at 30 June 2021	453,527	3,969	58,786	21	516,303
2020					
Accumulated amortization					
Balance as at 1 January 2020	--	(8)	--	--	(8)
Charge for the period	--	(6)	--	--	(6)
Translation difference	--	5	--	--	5
Balance as at 30 June 2020	--	(9)	--	--	(9)
2021					
Accumulated amortization					
Balance as at 1 January 2021	--	(113)	--	--	(113)
Charge for the period	--	(275)	--	--	(275)
Translation difference	--	(4)	--	--	(4)
Balance as at 30 June 2021	--	(392)	--	--	(392)
Carrying amount					
As at 30 June 2020	451,558	97	58,169	21	509,845
As at 31 December 2020	451,558	1,905	58,430	21	511,914
As at 30 June 2021	453,527	3,577	58,786	21	515,911

In 2021, as a result of the acquisition of VOX-ZAGREB d.o.o., the Group recognised goodwill of TEUR 1,969. For more information refer to changes in the Group in 2021, described in Note 1.

Trademark is treated as having an indefinite useful life because it is expected to contribute to net cash inflows indefinitely.

7. Property, plant and equipment

	Vehicles, other tangible assets and equipment	Right-of-use assets	Advance payments	Total
	TEUR	TEUR	TEUR	TEUR
2020				
Acquisition cost				
Balance as at 1 January 2020	2,524	8,734	28	11,286
Additions	303	1,494	2	1,799
Disposals	(154)	(345)	--	(499)
Translation differences	(233)	(165)	(1)	(399)
Balance as at 30 June 2020	2,440	9,718	29	12,187
2021				
Balance as at 1 January 2021	2,524	10,124	18	12,666
Acquisitions through business combinations	293	--	--	293
Additions	432	1,552	1	1,985
Disposals	(14)	(126)	--	(140)
Translation differences	131	78	--	209
Balance as at 30 June 2021	3,366	11,628	19	15,013
2020				
Accumulated depreciation				
Balance as at 1 January 2020	(571)	(1,498)	--	(2,069)
Charge for the period	(399)	(1,320)	--	(1,719)
Disposals	47	202	--	249
Translation difference	201	43	--	244
Balance as at 30 June 2020	(722)	(2,573)	--	(3,295)
2021				
Balance as at 1 January 2021	(1,103)	(3,074)	--	(4,177)
Charge for the period	(406)	(1,214)	--	(1,620)
Translation difference	(121)	(33)	--	(154)
Balance as at 30 June 2021	(1,630)	(4,321)	--	(5,951)
Carrying amount				
As at 30 June 2020	1,718	7,145	29	8,892
As at 31 December 2020	1,421	7,050	18	8,489
As at 30 June 2021	1,736	7,307	19	9,062

As a result of the acquisition of VOX-ZAGREB d.o.o., the Group acquired through business combination property, plant and equipment of TEUR 293 in 2021. For more information refer to changes in the Group in 2021, described in Note 1.

7. Property, plant and equipment (continued)

The right-of-use assets are recognised in accordance with IFRS 16 and are mainly represented by leased premises for betting shops in Croatia. As at 30 June 2021, the Group disclosed lease liabilities related to right-of-use assets for the total amount of TEUR 7,468 (31 December 2020: 7,180 TEUR). For more information refer to Note 3 (f).

These leases typically run for a period of 1 to 10 years.

Some leases provide for additional rent payments that are based on a development of inflation rate in the following years and some of them are defined in EUR, although payable in HRK.

Some leases contain extension options exercisable by a lessee, typically up to 10 years before the end of lease term. The Group assesses at lease commencement whether it is reasonably certain to exercise the options and subsequently if there is a significant event or significant change in circumstances related to the shop performance.

8. Cash and cash equivalents

	30.6.2021	31.12.2020
	TEUR	TEUR
Current accounts	88,304	80,664
Cash on hand	1,897	220
	90,201	80,884

9. Financial assets

Financial assets - deposits

	2021	2020
	TEUR	TEUR
At 1 st January	1,381	1,827
Withdrawals	(261)	(452)
Effects of movements in foreign exchange rate	6	--
Balance at 30th June	1,126	1,375

Financial assets at fair value through profit or loss

The Group held derivatives to manage future cash flows from the payments of principal and interest according to the loan agreements (cross currency interest rate swaps and interest rate floor swaps). The derivative instruments were not classified as hedging derivatives.

All outstanding exposure was settled on 31 March 2021 when the derivatives expired.

9. Financial assets (continued)

Financial assets at fair value through profit or loss (continued)

	Note	2021	2020
At 1 st January		257	33
Settlement of derivatives		--	98
Change in fair value	28	(257)	74
Balance at 30th June		--	205

Financial assets at amortised cost

Financial assets held-to-maturity are represented by promissory notes from KKCG AG related to the sale of SAZKA Group a.s., for the amounts of TEUR 90,000 and TEUR 30,000.

The promissory note for the amount TEUR 90,000 was repaid on 14 March 2020 and the promissory note for the amount TEUR 30,000 was repaid on 14 March 2021.

	2021	2020
At 1 st January	29,693	117,252
Additions	-	23
Disposals	(30,000)	(90,000)
Discount on promissory note – initial recognition	--	--
Unwinding discount on promissory note (interest income)	303	1,654
Loss allowance (IFRS 9)	4	15
Balance at 30th June	--	28,944
Non-current portion	--	--
Current portion	--	28,944
Balance at 30th June	--	28,944

The promissory notes are measured at amortised cost under IFRS 9. Loss allowances are calculated based on a 12-month expected credit loss (ECL). As at 30 June 2021, loss allowances related to promissory notes amounted to TEUR 0 (30 June 2020: TEUR 4).

On 31 July 2019, the promissory notes were pledged to J&T Banka a.s., as a security for the Facility agreement date 16 December 2015, between J&T Banka a.s. and MEF HOLDINGS LIMITED.

The fair value of financial assets held-to maturity approximates to their carrying amounts as presented above.

10. Loans receivable

The Group has provided loans receivable to its related parties of TEUR 48 (31 December 2020: TEUR 27). The Group has provided loans to third parties of TEUR 98 (31 December 2019: TEUR 10,056), which are repayable as follows:

30.6.2021	Average interest rate	Less than 3 months	3 months to 1 year	1 to 5 years	Total TEUR
Loans receivable	1,00%	--	98	48	146
					146
31.12.2020	Average interest rate	Less than 3 months	3 months to 1 year	1 to 5 years	Total TEUR
Loans receivable	9,91%	10,006	50	27	10,083
					10,083

As at 30 June 2021, loans receivables are measured at amortised cost under IFRS 9. Loss allowances were calculated based on a 12-month or a lifetime expected credit loss (ECL). As at 30 June 2021, loss allowances related to loans receivable amounted to TEUR 339 (31 December 2020: TEUR 333).

The fair value of loan receivables approximates to their carrying amounts as presented above.

11. Trade and other receivables

The trade receivables amounted to TEUR 5,943 as at 30 June 2021 (31 December 2020: TEUR 5,004).

As at 30 June 2021, the trade receivables refer mainly to receivable from credit card transactions performed by the Croatian Companies. As at 30 June 2021, trade receivables comprise also the receivable resulting from sale of 15 % of shares in VOX-ZAGREB d.o.o. for the consideration of TEUR 527 (refer also to Note 1 Description of the Group – Acquisitions and disposals in 2021). As at 31 December 2020, trade and other receivables comprise also receivable resulting from sale of shares in Huddle Gaming, Inc for consideration of TEUR 211 (refer also to Note 1 Description of the Group – Acquisitions and disposals in 2020).

As at 30 June 2021, all trade and other receivables are measured at amortised cost under IFRS 9. Loss allowances were calculated based on a lifetime expected credit loss (ECL). As at 30 June 2021, no loss allowances related to trade receivables were disclosed (31 December 2020: 0).

The fair value of trade and other receivables approximates to their carrying amounts as presented above.

12. Inventories

Inventories are represented by materials and equipment for Croatian branches of TEUR 572 (31 December 2020: TEUR 512).

13. Other assets

Other assets are represented by deferred expenses and prepayments of TEUR 1,258 (31 December 2020: TEUR 1,989), advances provided of TEUR 153 (31 December 2020: TEUR 123), other tax receivables of TEUR 52 (31 December 2020: TEUR 201) and other assets of TEUR 1 (31 December 2020: 0).

14. Investments in associates

The Group has the following investments in associates, which were accounted for using the equity method:

	Type of equity method investment	Country of incorporation	Ownership interest		Carrying amount	
			(%)		TEUR	
			30.06. 2021	31.12. 2020	30.06. 2021	31.12. 2020
Huddle Gaming, Inc	Associate	United States of America	23.33	21.88	1,324	1,438

On 18 November 2020, the Group entered into a Series A Preferred Stock Purchase Agreement, to acquire 20,000 shares of the Series A Preferred Stock in Huddle Gaming, Inc with acquisition price as USD 100 per share. Under the terms of the agreement total purchase price was TEUR 1,686.

On 30 December 2020 the Group sold 2,500 shares in Huddle Gaming, Inc to an individual for a sales price of TEUR 211, realizing a profit from disposal of TEUR 4 (for further information refer to Note 1 Description of the Group – Acquisitions and disposals in 2020).

The ownership interest in Huddle Gaming, Inc. was increased to 23.33 % in March 2021 due to the changes in investment structure (decrease of the total number of shares).

	2021 TEUR	2020 TEUR
Net gain from sale of investments in associates	--	--
Associates – share of loss*	(141)	--
	(141)	--

* The amount TEUR 141 consist of the share of loss in total amount of TEUR 165 and the effect of the increase of shares to 23.33 % in total amount of TEUR 24.

No dividends were received from associates in 2021 and 2020.

	2021 TEUR	2020 TEUR
At 1 st January	1,438	--
The effect of decrease of total number of shares	24	--
Associate – share of loss	(165)	--
Foreign exchange differences	27	--
At 30th June	1,324	--

14. Investments in associates (continued)

The financial information relating to investments in associates is summarised below:

	Huddle Gaming, Inc associate (23.33%) 30.06.2021 TEUR	Huddle Gaming, Inc associate (21.88%) 31.12.2020 TEUR
Summarised balance sheet		
Current assets	1,719	2,382
Current liabilities	(3)	(7)
Net assets (100%)	1,716	2,375
Group's share on net assets (23.33%)	400	519
Goodwill	924	924
Carrying amount of investments in associates	1,324	1,443
Summarised income statement		
Revenues	2	--
Operating loss	(731)	(77)
Loss before tax	(729)	(77)
Income tax	--	--
Loss for the year	(729)	(77)
- out of which loss attributable to equity holders *	(165)	(19)
- the effect of the decrease of total number of shares	24	--
Other comprehensive income	27	(22)
Total comprehensive income	(114)	(41)

* calculated using the share of 21.88 % for the period 1-3 2021 and the share 23.33 % for the period 4-6 2021.

15. Loans and borrowings

The Group's liabilities due to banks and other financial institutions as of 30 June 2021 amount to TEUR 74,389 (31 December 2020: TEUR 79,951). The main items are described below.

30.6.2021	Maturity	Outstanding principal and interest
		TEUR
Bank loan – HRK	2025	48,519
Bank loan – HRK	2025	25,870
		74,389
<hr/>		
31.12.2020	Maturity	Outstanding principal and interest
		TEUR
Bank loan – HRK	2025	59,730
Bank loan – HRK	2025	20,221
		79,951

In March 2020, the whole amount of syndicated bank loans was re-financed by new secured bank loans with final maturity in 2025. Bank loans are secured by the shareholding in Super Sport d.o.o., liens on bank accounts and deposits and by corporate guarantee. Current part of bank loans payable within 1 year amounts to TEUR 12,593 (31 December 2020: TEUR 12,530)

The fair value of liabilities due to banks and other financial institutions approximates to their carrying amounts as presented above.

16. Bonds issued

	30.6.2021	31.12.2020
	TEUR	TEUR
Nominal value of bonds issued	90,000	90,000
Expenses related to the issue of bonds - amortized	(1,133)	(1,327)
Accrued interest	392	392
Total balance	89,259	89,065

On 29 May 2019, the Group issued bonds EMG 4.90/2024 (ISIN SK4000015210) in total nominal value of TEUR 90,000. The bonds will mature as at 29 May 2024. Bonds bear fixed interest rate of 4.90% p.a. Bonds were accepted for trading on the Bratislava Stock Exchange. The Bonds are secured by a corporate guarantee provided by the parent company, EMMA GAMMA LIMITED, for the maximum amount of TEUR 115,000.

The interest expense related to bonds issued for the six months ended 30 June 2021 was 194 (2020: TEUR 194) and the effective interest expense related to the issue of bonds for the six months ended 30 June 2021 was TEUR 2,206 (2020: TEUR 2,206). For further information refer to Note 28.

The fair value of bonds issued approximates to their carrying amounts as presented above.

17. Financial liabilities at fair value through profit or loss

The Group holds derivatives to manage future cash flows from the payments of principal and interest according to the loan agreements (cross currency interest rate swaps).

All financial derivatives were stated at fair value as at 30 June 2021 based on price quotation by the bank and categorised to Level 2 in the fair value hierarchy.

	2021	2020
	TEUR	TEUR
At 1 st January	--	313
Acquisitions through business combinations	--	--
Change in fair value	--	(313)
Balance at 30th June	--	--

18. Trade and other payables

The Group's trade and other payables as of 30 June 2021 amounting to TEUR 1,686 (31 December 2020: TEUR 1,248) consist mainly of payables related to betting and casino activities of Croatian companies.

The fair value of trade and other payables approximates to their carrying amounts as presented above.

19. Other liabilities

	30.6.2021	31.12.2020
	TEUR	TEUR
Accrued expense	22	53
Other tax payable	4,896	4,371
Wages and salaries	945	993
Social security and health insurance	469	450
Other liabilities	3,148	2,764
	9,480	8,631

As at 30 June 2021, the balance of other liabilities is notably represented by received deposits for betting and casino games, liabilities for unpaid wins and jackpots and provided vouchers for gaming.

The fair value of other liabilities approximates to their carrying amounts as presented above.

20. Deferred tax liability and asset

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority.

	30.6.2021	31.12.2020
	TEUR	TEUR
Deferred tax assets	2	3
Deferred tax liabilities	(10,723)	(10,683)
Net deferred tax liabilities	(10,721)	(10,680)

The recognized deferred tax liability is attributable mainly to intangible assets resulting from acquisition of EMMA GAMMA Adriatic d.o.o., which occurred in 2019.

20. Deferred tax liability and asset (continued)

Movements in temporary differences during the period were as follows:

TEUR	Balance at 1 January	Recognized in profit or loss (Note 29)	Additions resulting from business combinations	Effect of movements in foreign exchange rate	Balance at 30 June
Movements in 2021	(10,680)	23	--	(64)	(10,721)
Movements in 2020	(10,862)	21	--	180	(10,661)

21. Equity

Authorised capital

	2021 Number of shares	2021 TEUR	2020 Number of shares	2020 TEUR
Authorised				
Ordinary shares of €1 each	1,253	1	1,253	1

Issued capital

	Number of shares	Share capital TEUR	Share premium TEUR	Total TEUR
Balance at 1 January/31 December 2020	1,253	1	111,839	111,840
Balance at 1 January/30 June 2021	1,253	1	111,839	111,840

The Company's shares have been pledged in favor of J&T banka a.s. under the Deed of Pledge Agreement between EMMA ALPHA HOLDING LTD and J&T banka a.s. on 30 August 2016.

Translation reserve

The translation reserve balance as at 30 June 2021 of negative TEUR 16 (31 December 2020: negative TEUR 58) represents notably foreign exchange differences arising from translation of the financial statements of the Croatian companies.

Dividends paid

During first half 2021, the Group distributed interim dividends to EMMA ALPHA HOLDING LTD in the total amount of TEUR 42,500. Interim dividends in the total amount of TEUR 10,060 were distributed to minority shareholders of subsidiaries.

During first half 2020, the Group distributed interim dividends to EMMA ALPHA HOLDING LTD in the total amount of TEUR 30,000. Interim dividends in the total amount of TEUR 11,477 were distributed to minority shareholders of subsidiaries.

21. Equity (continued)

Non-controlling interests

The following table summarises the information relating to each of the Group's subsidiaries that has material NCI in 2020:

TEUR	Non-controlling interests of the Group	
	30.06.2021	31.12.2020
NCI percentage	33%, 49%, 55%¹⁾	33%, 49%¹⁾
Non-current assets	60,909	58,357
Current assets	43,504	41,439
Non-current liabilities	(5,139)	(4,940)
Current liabilities	(16,715)	(12,971)
Net assets	82,559	81,885
Net assets attributable to NCI	27,599	27,022
Revenue	60,705	106,008
Profit / (loss)	30,154	50,753
OCI	203	15
Total comprehensive income	30,357	50,768
Profit allocated to NCI	10,023	16,748
OCI allocated to NCI	67	5

¹⁾ Only subsidiaries of Emma Gamma Adriatic d.o.o. included. NCI percentage of SUPER SPORT d.o.o. and PUNI BROJ d.o.o. is 33.00%, NCI percentage of MINUS5 d.o.o. is 49% and NCI percentage of VOX-ZAGREB d.o.o. is 55 %.

22. Revenue from betting activities and casino games and other income related to gaming

	2021	2020
	TEUR	TEUR
Revenues from betting activities	32,606	19,336
Revenues from casino games	17,180	23,005
Revenues from betting activities and casino games	49,786	42,341
Other income related to gaming	10,570	7,587
	60,356	49,928

Revenue from betting activities is generated by providing betting services via betting shops throughout Croatia as well as via betting machines and online betting. Casino revenues are generated by providing physical (land based) and online casino services.

	2021	2020
	TEUR	TEUR
Gross gaming revenue	64,819	49,204
Taxes payable to the state	(15,033)	(6,863)
Net gaming revenue	49,786	42,341

23. Services and material expenses

	2021	2020
	TEUR	TEUR
Professional services	(7,806)	(6,202)
Taxes other than income tax	(862)	(1,155)
Rental, maintenance and repair expenses	(703)	(779)
Advertising and marketing	(2,881)	(1,372)
Material consumption	(550)	(411)
Energy consumption	(396)	(341)
Other	(2,318)	(2,210)
	(15,516)	(12,470)

Professional services expenses represent betting and casino concession charge, IT and graphic services, administration services, accounting services and other professional services.

Other expenses consist of travel and commuting expenses, other employee costs, donations and other services.

24. Personnel expenses

	2021	2020
	TEUR	TEUR
Wages and salaries	(7,826)	(6,821)
Payroll related taxes and social contributions	(1,117)	(1,109)
	(8,943)	(7,930)

The average number of employees in the Group for the six months ended 30 June 2021 was 1,113 employees (for the six months ended 30 June 2020: 1,072 employees).

25. Reversal of impairment losses on loans and receivables

	2021	2020
	TEUR	TEUR
Reversal of impairment losses on loans and other financial assets	--	64
Reversal of impairment losses on receivables and other assets	4	15
	4	79

Based on IFRS 9 requirements, net impairment losses on loans and receivables has been disclosed in separate line item in the special purpose condensed consolidated interim statement of profit or loss and other comprehensive income.

26. Other operating income

	2021	2020
	TEUR	TEUR
Rental income	27	43
Gain on disposal of property, plant and equipment	3	1
Other income	1,836	1,043
	1,866	1,087

27. Other operating expenses

	2021	2020
	TEUR	TEUR
Net foreign currency losses	(32)	(930)
	(32)	(930)

28. Net finance income/expense

	2021	2020
	TEUR	TEUR
Finance income		
Interest income	816	2,747
Gain on financial instruments at fair value through profit or loss (derivatives)	--	2,099
Other finance income	110	46
Total finance income	926	4,892

Finance costs		
Interests expense	(3,519)	(5,287)
Fee and commission expense	(28)	(28)
Loss on financial instruments at fair value through profit or loss (derivatives)	(258)	(1,712)
Other finance expense	(78)	--
Total finance expense	(3,883)	(7,027)
Net finance expense	(2,957)	(2,135)

	2021	2020
	TEUR	TEUR
Interest income		
Financial instruments at amortised costs	303	1,654
Due from banks and other financial institutions	2	2
Loans to corporations and Other loans	511	1,091
	816	2,747

Interest expense		
Loans - Due to banks and other financial institutions	(886)	(2,750)
Leases	(111)	(107)
Debt securities issued	(2,400)	(2,400)
Other	(122)	(30)
	(3,519)	(5,287)

29. Income tax expense

	2021	2020
	TEUR	TEUR
Current tax expense	(6,567)	(5,079)
Deferred tax credit (Note 20)	23	21
Total income tax (expense)/credit recognised in profit or loss	(6,544)	(5,058)

	2021	2021	2020	2020
	%	TEUR	%	TEUR
Reconciliation of effective tax rate				
Profit before tax		33,112		25,904
Income tax using the domestic tax rate (see below)	(12.5)	(4,139)	(12.5)	(3,238)
Effect of tax rates in foreign jurisdictions	(5.6)	(3,202)	(10.6)	(2,736)
Non-deductible costs	(1.8)	(201)	(0.8)	(202)
Non-taxable income	0.9	1,005	4.3	1,122
Adjustment to prior years	0.1	--	--	--
Tax loss carry forward not recognized	(1.2)	(7)	--	(4)
Other	0.1	--	--	--
Total income tax (expense) / credit	(0.2)	(6,544)	(0.2)	(5,058)

Corporate income tax rates for tax domiciles of entities in consolidated Group for fiscal years 2021 and 2020 can be summarized as follows:

	2021	2020
Cyprus	12.50%	12.50%
Slovakia	21.00%	21.00%
Croatia	18.00%	18.00%

30. Related party transactions

The Group has a related party relationship with its parent company EMMA ALPHA HOLDING LIMITED and its subsidiaries.

Transactions and balances with related parties

	30.6.2021	31.12.2020
	TEUR	TEUR
Loans provided (principal receivables)	48	27
Trade receivables	527	--
Total balances	575	27

	2021	2020
	TEUR	TEUR
Interest income	511	2,128

30. Related party transactions (continued)

Transactions with key management employees

EMMA GAMMA Adriatic d.o.o., a subsidiary of the Company has entered into agreements with key management of Super Sport d.o.o. ("SS"), whereby EMMA GAMMA Adriatic d.o.o. gave loans to them in the amount of HRK 48,434 thousand, while the management simultaneously acquired 1.55% of shares in SS for the same amount. EMMA GAMMA Adriatic d.o.o. is contractually obliged to re-acquire the shares from key management after certain period of time, while the loans given to them are non-recourse. The substance of this share purchase arrangement is that it represents an equivalent of employee benefit as shares are used as a legal mechanism to pay the benefits in return of the increase of the SS investment value. Some of the agreements have additional call and put options, which carry an irrecoverable and unconditional unilateral right to sell or buy the shares at the exercise price which depends on the operating performance of SS and the year in which the right is exercised. The difference between the estimated exercise price and price at which the shares were sold, discounted at appropriate rate, represent the employee benefits, which will be recognised over the contracted service period as staff costs, while interest received on the loans will be deducted from staff costs.

Shareholder agreements

EMMA GAMMA Adriatic d.o.o. has contractually agreed the future acquisition of 33% in SS from its non-controlling shareholder in 2022. The total purchase price for such acquisition is partially depending on SS performance in 2021 and based on the current assumptions and expectations it could reach approximately EUR 167 million. However, the non-controlling shareholder has the unilateral right to partially cancel the sale. Such cancellation had to be declared by 30 June 2021 and it is associated with simultaneous disproportionate decrease of the sale price. The date was subsequently extended to 30 September 2021. In case that the non-controlling shareholder would use the right to cancel the sale to the maximum extent, it could result, based on the current assumptions and expectations, in the sale of 9.2% of shares in SS for EUR 1, while the non-controlling shareholder would continue to keep 23.8 % in SS without any further commitments towards the Company. Both estimations - the maximum amount payable in case that the sale is not partially cancelled as well as the percentage of shares to be acquired for EUR 1 in case of the maximum possible cancellation of the sale are based on the current expectation of 2021 EBITDA and would change accordingly based on the actual 2021 performance.

31. Events after the reporting period

On 10 August 2021, Super Sport d.o.o. distributed dividends in the total amount of THRK 187,500 out of which the amount of THRK 122,719 remained in the Group and the amount of THRK 64,781 was distributed to minority shareholders of subsidiaries. On 12 August 2021, the Group partially prepaid its acquisition financing (described in Note 15) in the amount of THRK 45,220 (principal) and the amount of THRK 3,905 (interest). The loan repayment was originally due at the end of September.

On 20 September 2021, the Board of Directors of EMMA GAMMA LIMITED approved the payment of an interim dividend of TEUR 63,000.

There were no other material events after the reporting period, which have a bearing on the understanding of the special purpose condensed consolidated interim financial statements.