Media and Games Invest plc

(former block**escence** plc)

168 St. Christopher Street
Valletta VLT1467 / Malta

Consolidated Financial Statements

**for the reporting period from
1 January to 31 December 2018**

Content

1 General information and principal activity

Media and Games Invest plc ("the Company"), formerly Blockescence plc, Malta, is a public limited liability company incorporated in Malta on 21 March 2011. The Company is the parent company of blockescence services AG, Switzerland, blockescence DLT solutions GmbH, Germany and Samarion SE, Dusseldorf, Germany and holds indirect control over the entities disclosed in Note 2.3.2 to these consolidated financial statements (to be referred collectively as the "Group"). As of 31 December 2018, Bodhivas GmbH, Dusseldorf, owns 76.86% of the Group.

The Company is registered with the Registry of Companies in Malta with registration number C 52332 and registered office at 168 St. Christopher Street, Valletta, VLT1467, Malta.

The principal activity of the Company is one of investments, which includes the holding of shares in other companies, in such a manner as the Board of Directors may deem fit and the granting/advancing of money, and to give credit on such terms that the Group deems appropriate.

2 Performance review, result and dividends

During the year, the Group has restructured its business scope. On 9 May 2018, the decision was taken to sell its shareholding participation in the real estate business due to limited future growth potential because of expected interest rises.

In addition to this, the decision was taken to shift the investment focus to the fast growing and consolidating games sector. On 9 May 2018, as a first step, an investment was made in gamigo AG, a fast-growing consolidator in the gaming space, by acquiring 100% shareholding in Samarion SE. The acquired subsidiary held 35.52%% shareholding and 53.1% voting rights in gamigo AG. In the same year, the participation of Samarion SE in gamigo AG has been increased to 38.74%.

The Group intends to further invest in gaming, media and online advertising-companies. In 2019, the Group acquired the majority of the shareholding in ReachHero and AppLift. The Group plans to further pursue a 'buy-integrate-build-and-improve' strategy in gaming and media industry through investing in media and gaming companies and through using the consolidation and growth opportunities of the media and gaming segments.

The result for the period from 1 January to 31 December 2018 is shown in the Income Statement. The operating results of gamigo AG is consolidated from May 2018 up to reporting date, while the operating results of real estate activities were consolidated up to 30 April 2018. A substantial part of the profit was generated by the result from discontinued operations.

No dividends are recommended during the reporting period.

3 Post balance sheet events and likely future business developments

After 31 December 2018 the following events occurred:

On 25 March 2019, the Group, through gamigo AG, placed further bonds totalling EUR 10 million as part of a tap issue within the outline agreement of EUR 50 million. The stock-up was carried out over par at a price of 100.50% of the nominal amount of the bond. On 18 June 2019, additional bonds totalling EUR 8 million were issued.

The subsequent stock-ups were carried out over par at a price of 101.00% of the nominal amount of the bond. Similar to the outstanding bond issued of EUR 32 million, the tap issue has a floating rate of 7.75% per annum (above 3 months Euribor with a minimum 0% floor) and a maturity date of 11 October 2022. The total volume of the bond increased to EUR 50 million. The new bonds are listed under the same ISIN and in the open market of Frankfurt Stock Exchange and in the regulated corporate bond segment of Nasdaq Stockholm.

On 3 April 2019, the Group, through gamigo AG, acquired significant assets and liabilities of the US games publisher, WildTangent Inc. (WildTangent), through its wholly owned subsidiary, gamigo Inc., USA. WildTangent is a leading publisher of casual games based in Bellevue (Washington), USA. With this acquisition, gamigo AG continues its series of successful acquisitions using the consolidation potential of the market. Based on its platform strategy, synergies between gamigo group and the acquired companies can be leveraged and thus contribute to the further profitable growth of the Group. With the acquisition of the assets of WildTangent, gamigo AG significantly strengthened its position in the USA, one of the world's largest gaming markets.

On 17 May 2019, the Company acquired 65.42% of the shares in ReachHero GmbH, Berlin, Germany, for a consideration price of EUR 2.896 million. The consideration was partly paid by the issuance of 2,170,000 ordinary shares of the Company to Bodhivas GmbH, Dusseldorf, Germany, at a nominal value of EUR 1.00 per share because Bodhivas pre-financed the purchase price by a share loan. As a result of the transaction, the Company has total issued ordinary shares of 62,020,000 as of 17 May 2019.

Subsequently, the Company signed a capital increase in ReachHero GmbH resulting to a 67.4% shareholding in ReachHero GmbH.

On 29 May 2019, in an extraordinary general meeting, the Company approved to change its name from Blockescence plc to Media and Games Invest plc.

On 12 June 2019, the Company acquired 100% of the shares in AppLift GmbH, Berlin, Germany for a consideration price of EUR 5.960 million. The consideration was partly paid by cash and promissory notes. Applift GmbH is a leading international mobile media performance agency.

4 Directors

The directors who served during the period under review until the approval of the financial statements are as follows:

- René Müller
- Zeki Yigit (till 9 May 2018)
- Patrick Reiner Rehberger (till 31 May 2018)
- Remco Westermann (appointed on 31 May 2018)
- Tobias Weitzel (appointed on 31 May 2018)

5 Corporate development

The principal purpose of the Group is investing in and further pursuing activities in online gaming and media industries, directly and indirectly participating in companies specializing in games (especially publishing online games for PC and console) and in media services (especially online advertising and social media marketing).

The Company currently plans to acquire and hold, buy and/or sell shares, stocks, bonds or securities or other assets of/or in any other company, and to invest these funds, which support the above-mentioned purpose and as deemed appropriate by the Board of Directors.

6 Statement of directors' responsibilities

The Companies Act (Cap. 386) enacted in Malta requires the directors to prepare financial statements for each financial period which give a true and fair view of the financial position of the Group as at the end of the financial period and of the profit or loss for that period.

In preparing the consolidated financial statements, the directors are required to:

- adopt the going concern basis unless it is inappropriate to presume that the Group will continue in business;
- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting period on the accrual basis;
- value separately the components of asset and liability items;
- report comparative figures corresponding to those of the preceding accounting period; and
- prepare the financial statements in accordance with generally accepted accounting principles as defined in the Companies Act (Cap. 386) and in accordance with the provision of the same Act.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to ensure that the financial statements comply with the Companies Act (Cap. 386). This responsibility includes designing, implementing and maintaining such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error. The directors are also responsible for safeguarding the assets of the Group and hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

7 Auditor

RSM Malta is the auditor of the financial statements of the Group for the period from 1 January to 31 December 2018. A resolution to reappoint RSM Malta as auditor of the Group for the consecutive financial year will be proposed at the forthcoming annual general meeting.

Approved by the Board of Directors on 28 June 2019 and signed on its behalf by:

Remco Westermann
Director

Tobias Weitzel
Director

Media and Games Invest plc
Consolidated Statement of Financial Position as of 31 December 2018

Assets

	Notes	31 December 2018 kEUR	31 December 2017 kEUR
A. Non-current assets			
I. Property, plant and equipment	7	4.189	551
II. Intangible assets	6	204.142	841
III. Trade and other receivables	11	0	931
IV. Financial assets	9	5.359	126
V. Deferred tax assets	8	6.353	842
Total non-current assets		**220.043**	**3.291**
B. Current assets			
I. Property inventories	4	0	92.292
II. Trade and other receivables	11	11.803	2.789
III. Cash and cash equivalents	12	4.447	406
Total current assets		**16.250**	**95.487**
Total assets		**236.293**	**98.778**

Media and Games Invest plc
Consolidated Statement of Financial Position as of 31 December 2018

Shareholders' equity and liabilities

	Notes	31 December 2018 kEUR	31 December 2017 kEUR
A. Shareholders' equity	14		
I. Common stock		59.850	40.800
II. Capital reserves		4.346	6
III. Retained earnings / accumulated losses		2.881	-4.354
IV. Amounts recognised directly in equity relating to currency translation adjustments		143	-8
V. Non-controlling interest		91.320	3.515
Total shareholders' equity		**158.540**	**39.959**
B. Non-current liabilities			
I. Bonds	18	24.877	0
II. Financial liabilities	15	0	28.049
III. Leasing liabilities	19	986	0
IV. Other financial liabilities	15	13.114	120
V. Deferred tax liabilities	20	14.418	7.422
Total non-current liabilities		**53.395**	**35.591**
C. Current liabilities			
I. Financial liabilities	15	3.556	16.967
II. Leasing liabilities	19	39	0
III. Trade payables	22	9.162	1.124
IV. Current tax liabilities	15	294	1.122
V. Other non-financial liabilities	16	4.636	691
VI. Provisions and accruals	21	6.671	3.324
Total current liabilities		**24.358**	**23.228**
Total shareholders' equity and liabilities		**236.293**	**98.778**

Media and Games Invest plc
Consolidated Statement of Profit or Loss
for the period from 1 January to 31 December 2018

	Notes	1 January to 31 December 2018 kEUR	1 January to 31 December 2017 kEUR
Continuing operations			
Sales revenue	25	**32.621**	**0**
Other own work capitalised	26	2.791	0
Other operating income	27	6.506	0
Services purchased	28	-12.699	0
Employee benefits expenses	29	-10.438	0
Other operating expenses	30	-10.135	-642
Earnings before interest, taxes, depreciation, and amortisation (EBITDA)		**8.646**	**-642**
Depreciation and amortisation	6,7,31	-6.318	-24
Earnings before interest and taxes (EBIT)		**2.328**	**-666**
Financial expense	32	-1.725	-47
Financial income	32	84	6
Earnings before taxes (EBT)		**687**	**-707**
Income taxes	33	895	-3
Result from continuing operations, net of income tax		**1.582**	**-710**
Discontinued operations			
Result from discontinued operations	34	3.673	-5.485
Consolidated profit		**5.255**	**-6.195**
Attributable to:			
Owners of the Company		4.323	-5.735
Non-controlling interests		932	-460
Earnings per share	35		
From continuing and discontinued operations		0,09	-0,14
From continuing operations		0,01	-0,01

Media and Games Invest plc
Consolidated Statement of Comprehensive Income
for the period from 1 January to 31 December 2018

	1 January to 31 December 2018 kEUR	1 January to 31 December 2017 kEUR
Consolidated profit	**5.255**	**-6.195**
Items that will be reclassified subsequently to profit and loss under certain conditions		
Exchange differences on translating foreign operations	151	-13
	151	-13
Items that will not be reclassified subsequently to profit and loss	0	0
Other comprehensive income, net of income tax	**151**	**-13**
Total comprehensive income	**5.406**	**-6.208**
Atributable to:		
Owners of the Company	4.474	-5.748
Non-controlling interests	932	-460

Media and Games Invest pl
Consolidated Statement of Changes in Shareholders' Equi
for the period from 1 January to 31 December 201

	Common stock		Capital reserves	Retained Earnings	Amounts recognised directly in equity relating to currency translation adjustments	Shareholders' equity attributable to owners of the parent	Non-controlling interest	Total shareholders' equity
	Shares thousands	Amount kEUR	Amount kEUR	Amount kEUR	Amount kEUR	Amount kEUR	Amount kEUR	Amount kEUR
Balance at 1 January 2017	**40.800**	**40.800**	**-**	**1.392**	**5**	**42.197**	**4.026**	**46.223**
Consolidated loss				-5.735		-5.735	-460	-6.195
Other comprehensive loss					-13	-13		-13
Total comprehensive loss for the year	**-**	**-**	**-**	**-5.735**	**-13**	**-5.748**	**-460**	**-6.208**
Granting of options rights for the purchase of shares			6			6		6
Disposal of non-controlling interest (minority interest) due to increase of majority interest				-11		-11	-31 -20	-31 -31
Balance at 31 December 2017	**40.800**	**40.800**	**6**	**- 4.354**	**- 8**	**36.444**	**3.515**	**39.959**
Consolidated profit				4.323		4.323	932	5.255
Other comprehensive income					151	151	0	151
Total comprehensive income for the year	**-**	**-**	**-**	**4.323**	**151**	**4.474**	**932**	**5.406**
Capital increases	19.050	19.050	742			19.792		19.792
Disposal of subsidiaries			-5			-5	-3.364	-3.369
Acquisition of subsidiaries						0	96.324	96.324
Changes in scope of consolidation				2.912		2.912	-2.484	428
Transfer of ownership interest in gamigo AG			3.603			3.603	-3.603	0
Balance at 31 December 2018	**59.850**	**59.850**	**4.346**	**2.881**	**143**	**67.220**	**91.320**	**158.540**

Media and Games Invest plc
Consolidated Statement of Cash Flows
for the period from 1 January to 31 December 2018

	1 January to 31 December 2018 kEUR	1 January to 31 December 2017 kEUR
Cash flows from operating activities		
Consolidated profit for the year	5.255	-6.195
Adjustments		
Income tax recognised in income statement	-895	-399
Financial expense recognised in income statement	1.725	1.764
Financial income recognised in income statement	-84	-28
Gain from sale of subsideries	-5.645	-
Depreciation and amortisation	6.318	367
Movements in working capital:		
Increase in trade and other receivables	-8.083	-1.986
Increase in trade payables, provisions and other current liabilities	14.501	19
Other non-cash income and expenses	-6.150	-37
Cash generated from operations	**6.942**	**-6.495**
Interest paid	-2.014	-963
Interest received	1	1
Income taxes paid	-	-54
Net cash generated by/(used in) operating activities	**4.929**	**-7.511**
- thereof from discontinued operations	*-10.476*	*-6.557*
Cash flows from investing activities		
Payments for the acquisition of subsidiaries	-3.919	0
Payments for the acquisition of intangible assets	-8.251	-30
Other own work capitalised	-2.791	-
Payments for the acquisition of property, plant and equipment	-	-275
Proceeds from sale of subsidiaries	488	0
Proceeds from sale of tangible assets	360	-
Net cash used in investing activities	**-14.113**	**-305**
- thereof from discontinued operations	*-611*	*-305*
Cash flows from financing activities		
Proceeds from issuing equity instruments of the Company	3.792	0
Proceeds from issuing of bonds	25.800	0
Proceeds from other borrowings	4.577	38.469
Payments for the repayment of loans or borrowings	-20.569	-30.014
Payments for the acquisition of non-controlling interests	0	-20
Payments for transaction costs	-671	-1.674
Changes in exchange currencies	182	0
Net cash provided by financing activities	**13.111**	**6.761**
- thereof from discontinued operations	*11.292*	*6.761*
Net increase/(decrease) in cash and cash equivalents	**3.927**	**-1.055**
Changes to cash and cash equivalents due to currency translation	**114**	**0**
Cash and cash equivalents at the beginning of the year	406	1.461
Cash and cash equivalents at the end of the year	**4.447**	**406**

Contents

1. General Information

Media and Games Invest plc ("the Company"), formerly blockescence plc, is a public limited liability company incorporated in Malta on 21 March 2011. The Company is the parent company of blockescence services AG, Switzerland, blockescence DLT solutions GmbH, Germany, and Samarion SE, Duesseldorf, Germany, and holds indirect control over the entities disclosed in Note 2.3.2 to these consolidated financial statements (to be referred collectively as the "Group"). The Company holds, through Samarion SE, indirect control of 38.74% of the shares and 53.1 % of the voting rights of gamigo AG, Germany, which forms part of the Group. As of 31 December 2018, Bodhivas GmbH, Duesseldorf, owns 76.86% of the Group.

The Company's shares are listed in the open market segment of Frankfurt Stock Exchange and XETRA in Germany. Its subsidiary, gamigo AG, has a public bond listed in Frankfurt Stock Exchange and in the regulated segment of the Nasdaq North Stock Exchange in Sweden.

The Company is registered with the Registry of Companies in Malta with registration number C 52332 and registered office at 168 St. Christopher Street, Valletta, VLT1467, Malta.

The Company is a strategic investment holding company focusing on a 'buy-integrate-build-and-improve' strategy, creating fast-growing companies within the media and games segments through acquisitions and growth in operations. New and proven technologies are actively being implemented to create efficiency improvements and competitive advantages.

Furthermore, the Company acquires, holds, and sell other investments (e.g. shares, stocks, bonds, securities and other assets of companies as well as investments in funds and assets) that support the above stated business purpose and as deemed appropriate by the Board of Directors.

The online gaming and media industry have been identified by the Company as promising, fast-growing industries with high profit potential and many interesting investment targets. Therefore, the portfolio company gamigo AG, one of the leading companies in online gaming sector in Europe has been indirectly acquired. Subsequent to the acquisition, the Board of Directors of the Company sold all of its shareholding in solidare real estate holding GmbH, where the real estate business of the Group was bundled, to Suryoyo Holding GmbH. We refer to the sections 3 and 4 of these Notes for further details regarding the acquisition and disposal process.

2. Significant Accounting Policies

2.1. Basis of Accounting

The consolidated financial statements of the Group have been prepared in compliance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

The Group's financial year begins on 1 January and ends on 31 December of the calendar year.

The functional currency and reporting currency of the Group is the Euro. Unless otherwise stated, all amounts are presented in thousand euros (kEUR).

The assets and liabilities are classified as current if they are anticipated to be realised or compensated within twelve months after the reporting date.

The consolidated statement of profit or loss is classified according to the nature of expense format.

The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability (such as the condition and location of the asset or restrictions on the sale and use of the asset) if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for:

- leasing transactions that are within the scope of IFRS 16 *Leases*
- measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36 *Impairment of Assets*.

Fair value is not always available as market price. Often, it has to be determined on the basis of different measurements. Depending on the availability of observable inputs and the significance of these inputs for determining the fair value as a whole, fair value is allocated to levels 1, 2 or 3. The classification of fair value is carried out according to the following criteria:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted market prices included within Level 1 that are either directly observable for the asset or liability or that can be indirectly derived from other prices.
- Level 3 inputs are unobservable inputs for the asset or liability.

2.2. Change in Accounting Policies – Amendments to Standards and Interpretations

The Group has applied the following new or amended standards and interpretations for the first time in the current year.

IFRS 9 *Financial Instruments*

In the current year, the Group has for the first time applied IFRS 9 *Financial Instruments* (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives. The Group has elected not to restate comparatives in respect of the classification and measurement of financial instruments.

Additionally, the Group adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosures* that were applied to the disclosures for 2018 and to the comparative period. IFRS 9 introduced new requirements for:

1) The classification and measurement of financial assets and financial liabilities;
2) Impairment of financial assets; and
3) General hedge accounting.

Details of these new requirements as well as their impact on the Group's consolidated financial statements are described below.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

(a) Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Group has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 January 2018. Accordingly, the Group has applied the requirements of IFRS 9 to instruments that continue to be recognised as at 1 January 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

In the current year, the Group has debt investments that meet the criteria for measurement at amortised costs or FVTOCI. The Group has not designated any debt investments that meet the FVTPL criteria.

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings.

Debt instruments that are measured subsequently at amortised cost or at FVTOCI are subject to impairment. See (b) below.

The Board of Directors of the Company reviewed and assessed the Group's existing financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Group's financial assets as regards their classification and measurement:

- the Group's investments in equity instruments (neither held for trading nor a contingent consideration arising from a business combination) that were previously classified as available-for-sale financial assets and were measured at fair value at each reporting date under IAS 39, are held under IFRS 9 within a business model whose objective is both to collect contractual cash flows and to sell the financial assets, and they have contractual cash flows that are solely payments of principal and interest on principal outstanding. The change in the fair value on these equity instruments continues to accumulate in the investment revaluation reserve until they are derecognised or reclassified. For reasons of materiality it is assumed that the fair value corresponds to the book value.

- financial assets classified as held-to-maturity and loans and receivables under IAS 39 that were measured at amortised cost continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

(b) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 (new impairment requirements) requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39 (old impairment requirements). The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. As at 31 December 2018, the Group did not held any material equity instruments, therefore, the new impairment requirements did not affect the Group's consolidated financial statements.

(c) Classification and measurement of financial liabilities

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as FVTPL attributable to changes in the credit risk of the issuer. As at 31 December 2018, there were no changes in credit risk in respect of the recognised financial liabilities of the Group.

Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss but are instead transferred to retained earnings when the financial liability is derecognised.

The application of IFRS 9 had no impact on the consolidated cash flows of the Group.

IFRS *15 Revenue from Contracts with Customers*

In the current year, the Group has applied IFRS 15 *Revenue from Contracts with Customers* (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduced a five-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Details of the new requirements as well as their impact on the Group's consolidated financial statements are described below. The Group has applied the standard on a prospective basis.

IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what might more commonly be known as 'accrued revenue' and 'deferred revenue', however, the standard does not prohibit an entity from using alternative descriptions in the statement of financial position. The Group has adopted the terminology used in IFRS 15 to describe such balances.

The Group's accounting policies for its revenue streams are disclosed in detail in note 2.5 below. Apart from providing more extensive disclosures for the Group's revenue from contracts with customers, the application of IFRS 15 has not had a significant impact on the financial position and/or financial performance of the Group.

IFRS 16 *Leases*

General impact of application of IFRS 16 Leases

In the current year, the Company, for the first time, has applied IFRS 16 *Leases* that was issued by the IASB in January 2016.

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 will supersede IAS 17 *Leases* and the related interpretations. Under the new standard, lessors are generally required to recognise all leases in the form of a right-of-use asset or a corresponding lease liability. The impact of the initial application of IFRS 16 on the consolidated financial statements of the Group is described below. IFRS 16 *Lease*s applies to annual periods that begin on or after 1 January 2019. The Group has taken advantage of the option for early adoption and voluntarily applied IFRS 16 for the first time in the financial year 2018.

In accordance with IFRS 16 Appendix C5b, on initial application (1 January 2018), the Group has applied the cumulative retrospective approach (cumulative catch-up approach), with the cumulative effect from the transition to IFRS 16 being recognised as an adjustment in the consolidated opening balance as at 1 January 2018. At the time of the first-time application, the transition as at 1 January 2018 does not have any cumulative adjustment effect as an entry in the opening equity in the financial year in which IFRS 16 is initially applied since the amount of the right-to-use assets equalled the amount of the lease liabilities.

Impact of the new definition of a lease

On the date of initial application of IFRS 16 (1 January 2018) the Company made use of option available not to reassess whether a contract is or contains a lease within the meaning of IFRS 16. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 continues to apply to those leases entered or modified before 1 January 2018.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to direct the use of that asset; and
- The right to obtain substantially all of the economic benefits from the use of an identified asset.

The Group applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2018 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, gamigo has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not lead to material capitalisation of assets and lease liabilities in the consolidated statement of financial position of the Group.

Impact on Lessee Accounting

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet.

On initial application of IFRS 16 as at 1 January 2018, for all leases (except as noted below), the Group has:

- Recognised right-of-use assets (hereafter referred to as “ROU assets”) and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
- Recognised depreciation of ROU assets and interest on lease liabilities in the Group’s statement of other comprehensive income.
- Separated the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated cash flow statement.

Lease incentives (e.g. rent-free period) have been recognised as part of the measurement of the ROU assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under IFRS 16, ROU assets will be tested for impairment in accordance with IAS 36 *Impairment of Assets*. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a ROU asset and a corresponding lease liability with respect to all leased assets, except for short-term leases (defined as leases with a lease term of 12 months or less). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease

The lease liabilities are initially measured at the present value of the future lease payments. The interest rate implicit in the lease liabilities cannot be readily determined. Therefore, the Group made use of the weighted average of the incremental borrowing rate of the Group as at 1 January 2018 of 5.8%, which was determined based on the financing loans with a comparable term that would be available to the Group for the acquisition of the assets.

The lease liabilities are presented as a separate line in the consolidated statement of financial position. The lease liabilities are subsequently measured by using the effective interest method.

The Group subsequently remeasures the lease liabilities in order to reflect changes with respect to:

- the lease term (using a revised discount rate);
- the assessment of a purchase option (using a revised discount rate);
- the expected payments under a guaranteed residual value (using the initial discount rate); or
- future lease payments due to changes in an index or rate (using the initial discount rate).

Any remeasurement is presented as an adjustment of the ROU asset. When changes do not result in the presentation of a separate lease, the lease liabilities may be remeasured.

A corresponding adjustment on account of the above reasons is recognised as an adjustment of the ROU assets. When the ROU assets are or have already been reduced to zero and the lease liabilities are subject to another correction, the amount is recognised in profit or loss. No remeasurements were carried out in the period ended 31 December 2018.

As at 31 December 2017, the Group had non-cancellable lease obligations of kEUR 60. All of them were less than one year. As a result of the application of IFRS 16, as at 1 January 2018, the Group has recognised lease obligations of kEUR 0 and capitalised ROU assets in the same amount. The remaining lease contracts amounting to kEUR 60 are current in nature and have not been recognised as liabilities.

The following tables below show the impact of the adoption of IFRS 16 on the consolidated financial statements in the financial year 2018:

in kEUR	2018
Increase in depreciation and amortisation expenses	597
Increase in interest expenses from IFRS 16	48
Decrease in other operating expenses	-618
Decrease in profit for the year	**27**

As at 31 December 2018, the application of IFRS 16 had a negative overall effect of kEUR 27 on the Group's profit.

Impact on the consolidated statement of financial position as at 1 January 2018:

in kEUR	Carrying amount 31 Dec 2017	IFRS 16 Adjustments	Carrying amount 1 Jan 2018
Intangible assets	841	0	841
Property, plant and equipment	551	0	551
Net impact on total assets		**0**	
Non-current financial liabilities	28,049	0	28,049
Current financial liabilities	16,967	0	16,967
Net impact on total liabilities		**0**	
Total impact		**0**	

Impact on the consolidated statement of financial position as at 31 December 2018:

in kEUR	As if IAS 17 still applied	IFRS 16 Adjustments	As presented
Intangible assets	70,386	0	70,386
Property, plant and equipment	1,824	2,365	4,189
Net impact on total assets		**2,365**	
Non-current financial liabilities	12,128	986	13,114
Current financial liabilities	3,517	39	3,556
Net impact on total liabilities		**1,025**	
Total impact		**1,340**	

As at 31 December 2018, current lease obligations give rise to interest within the scope of IFRS 16, however this interest is not cash interest as is usually the case with financial liabilities and therefore the liability does not represent a financial liability bearing cash interest. Liabilities bearing cash interest include loans, bonds and current account overdrafts.

As at 31 December 2017, the Group had no provisions for onerous lease contracts required under IAS 17. Moreover, there were no lease liability incentives as were previously recognised in the context of leases.

At 31 December 2018, the Group has recognised ROU assets of kEUR 2,365 and a corresponding lease liability of kEUR 1,025 with respect to all of these leases. ROU assets in the amount of kEUR 2,365 comprise property, plant and equipment leasing. Under IAS 17, all lease payments were presented as part of the cash flow from operating activities. The development of the ROU assets and the lease liabilities in the financial year 2018 is presented in Note 16.

Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*

In the current year, the Group has for the first time applied the amendments. The amendments clarify how an entity assesses whether sufficient taxable profits will be available against which a deductible temporary difference can be utilised.

The application of the amendments does not have any impact on the consolidated financial statements as the way the Group assesses the availability of future taxable profits already is consistent with these amendments.

Amendments to IAS 7 *Disclosure Initiative*

In the current year, the Group has for the first time applied these amendments. The amendments require an entity to provide disclosure that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

The Group’s liabilities from financing activities comprise bonds (note 18) and certain other financial liabilities (note 15). In accordance with the transition provisions of the amendments, the Group abstained from disclosing comparative information for the comparative period. The application of these amendments results in additional disclosures in the notes to the consolidated financial statements.

Annual Improvements to IFRS Standards (2014 – 2016 Cycle)

Standard	***Type of Amendment***	***Details of Amendment***
IFRS 12 *Disclosure of Interests in Other Entities*	Relation of disclosure requirements in IFRS 12 to those in IFRS 5	Clarifies the scope of the standard by specifying that the disclosure requirements in IFRS 12 apply to an entity's interests that fall within the scope of IFRS 5. Excluded from this are only the disclosures listed in paragraphs B10-B16 of IFRS 12.
IAS 28 Investments in Associates and Joint Ventures	Measurement at the level of individual investments	Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition. A similar clarification was also made in IAS 28.36A, according to which an entity may retain the fair value measurement at the level of the investment entity when applying the equity method to interests in investment entities. This option is available separately for each investment.

The application of these amendments did not have any impact on the consolidated financial statements.

Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions*

The amendments clarify the following:

- Accounting for cash-settled share-based payment transactions that include a performance condition: In accordance with the approach applied for equity-settled share-based payments, only certain vesting conditions will be used to estimate the fair value in the future, while others will only have an effect through the quantity structure.
- Classification of share-based payment transactions with net settlement features: Despite the tax payment to be made in cash by the Company, the share-based payment arrangement is to be treated as equity-settled in its entirety under certain conditions.
- Accounting for modifications of share-based payment transactions from cash-settled to equity-settled: In this case, the latter shall be measured at the modification date with the modified share-based payments being recognised in equity proportionately to the past vesting period.

The modifications did not have any impact on the consolidated financial statements as the Group did have neither cash-settled share-based payment plans nor share-based payment plans with net settlement features.

IFRIC 22 *Foreign Currency Transactions and Advance Consideration*

IFRIC 22 contains the following guidance on determining the exchange rate when consideration for foreign currency transactions is paid or received in advance.

The date of transaction for the purpose of determining the exchange rate to use on initial recognition of a related asset, expense or income is the date on which the entity initially recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

Where several advance payments or receipts are made, the entity has to determine the date of transaction for every single consideration paid or received in advance.

Applying IFRIC 22 did not have any impact on the consolidated financial statements as the Group's accounting for foreign currency transactions where considerations are paid or received in advance has already complied with this interpretation.

2.3. Basis of Consolidation

2.3.1. Subsidiaries

The consolidated financial statements incorporate the financial statements of the parent company and entities controlled by the parent company including structured entities (its subsidiaries). Control is achieved when the parent company:

- has the power of the investee;
- is exposed, or has rights, to variable returns from its involvement in the investee; and
- has the ability to use its power to affect its returns.

The parent company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the parent company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The parent company considers all relevant facts and circumstances in assessing whether or not the parent company's voting rights in an investee are sufficient to give it power, including:

- the size of the parent company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the parent company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the parent company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the parent company obtains control over the subsidiary and ceases when the parent company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the parent company gains control until the date when the parent company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the parent company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

a) Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group'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 the owners of the parent company.

When the parent company loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss 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), less liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or directly transferred to retained earnings).

Any investment retained in the former subsidiary is measured at the fair value determined at the date when control is lost. This is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 *Financial Instruments* when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

b) Acquisition of subsidiaries

Acquisition 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 assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

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

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits*, respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 *Share-Based Payments* at the acquisition date; 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 fair values of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date fair values 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 bargain purchase gain.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership rights entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value or the measurement criteria resulting from other standards. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance

When the consideration transferred by the Group in a business combination includes contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in 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 about facts and circumstances that existed at the acquisition date. However, the measurement period cannot exceed one year from 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. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss.

Changing amounts arising from equity interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss if the Group gains control over the acquired entity.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete.

Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

2.3.2. Change in the scope of consolidation

During the reporting period, the Company re-oriented its investment focus and investment strategy with the aim of generating accelerated and sustained value for its shareholders. The scope of consolidation has changed considerably due to the realignment in the reporting period due to the sale and acquisition of subsidiaries.

Scope of consolidation	Fully consolidated subsidiaries	Associated companies	Total
Balance at 1 January 2018	**20**	**0**	**20**
De-consolidations	(19)	0	(19)
Subsidiaries included for the first-time in the scope of consolidation	17	1	18
Balance at 31 December 2018	**18**	**1**	**19**

The following companies were de-consolidated during the reporting period:

Company	Place of incorporation	Ownership interest %
Direct deconsolidated entities		
solidare real estate holding GmbH	Germany	100
Indirect deconsolidated entities		
4. Rigi Property GmbH	Germany	100
7. Rigi Property GmbH	Germany	100
Pecunia Facility Services GmbH	Germany	100
Pilatus II Holding GmbH	Germany	100
Pilatus SR Holding GmbH	Germany	100
Primus Asset Management GmbH	Germany	100
Prodomi Wohnservice GmbH	Germany	100
Promas Verwaltungsgesellschaft mbH	Germany	100
solidare service GmbH	Germany	100
solidare Wohnraum, Bau- und Planungsges. mbH	Germany	100
Rigi Düsseldorf 2 GmbH	Germany	100
Rigi Hamburg 1 GmbH	Germany	100
Rigi Neuss 1 Property GmbH	Germany	100
2. Rigi Property GmbH	Germany	95
ONO student GmbH	Germany	95
Rigi Hausener Weg GmbH	Germany	94
VSF Grundstücks AG	Germany	94
3. Rigi Property GmbH	Germany	84

All these companies were completely de-consolidated as of 9 May 2018 due to the sale of all shares in solidare real estate holding GmbH to Suryoyo Holding GmbH. For further information we refer to section 4 of these Notes.

The following companies were included in the scope of consolidation of the Group during the reporting period:

Company	Place of incorporation	Ownership interest %
Direct consolidated entities		
blockescence services AG	Switzerland	100
blockescence DLT Solutions GmbH	Germany	100
Samarion SE	Germany	100
Indirect consolidated entities		
Persogold GmbH	Germany	100
gamigo AG	Germany	39
gamigo AG itself holds the following ownership interest in the following companies:		
adspree media GmbH	Germany	100
Aeria Games GmbH	Germany	100
Aeria Interactive GmbH (formerly Produktkraft Vermarktung GmbH)	Germany	100
gamigo Advertising GmbH	Germany	100
gamigo Inc.	U.S.A.	100
gamigo Portals GmbH	Germany	100
gamigo Publishing GmbH	Germany	100
gamigo US Inc.	U.S.A.	100
Mediakraft GmbH	Germany	100
Mediakraft Networks GmbH	Germany	100
Mediakraft PL Sp.z o.o.	Poland	95
Mediakraft Turkey Yayin Hizmetleri A.S.	Turkey	80
MK Productions GmbH	Germany	100

Regarding the acquisition of Samarion SE and its indirect consolidated subsidiaries, we refer to section 3.1 of this Notes.

As of 31 December 2018, the Company indirectly holds 38.74% shareholding in gamigo AG, Germany, but has the majority of voting rights due to voting agreements and does therefore have control in the sense of IFRS 10. Therefore, gamigo AG was included in the consolidated financial statements as a fully consolidated subsidiary.

2.3.3. Unconsolidated companies at 31 December 2018

Four subsidiaries and one associate company are of subordinate importance to the net assets, financial position and results from operations of the Group and were not consolidated but instead presented at acquisition cost. Altogether, the financial figures of unconsolidated subsidiaries accounted for less than 0.4% of Group sale revenue, less than 0.3% of shareholders equity and less than 0.5% of total assets.

The following companies under gamigo AG were unconsolidated during the reporting period:

Unconsolidated companies	Place of incorporation	Ownership interest %
Aeria Games Inc	U.S.A.	100
cloudgame4u Ltd.	U.K.	100
highdigit GmbH	Germany	100
Just Digital GmbH	Germany	100

The liquidations of the following companies were resolved on 23 February 2018 but had not been carried out as at 31 December 2018:

- Aeria Games Inc., Wilmington, Delaware, U.S.
- cloudgame4u Ltd., Maidenhead, United Kingdom

The Group, through gamigo AG, holds 19% of the shares in Gorillabox LLC, U.S.A., an associate company.

2.4. Foreign Currencies

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured at cost are retranslated at the rate prevailing at the date of their initial recognition.

Exchange differences from monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into euro (EUR) at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rate for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising from the translation of foreign operations into the group currency are recognised in other comprehensive income and accumulated in equity.

On the disposal of a foreign operation, all of the exchange differences accumulated in respect of that operation attributable to the owners of the company are reclassified to profit or loss with the following transactions being regarded as a disposal of a foreign operation:

- the disposal of the Group's entire interest in a foreign operation;
- a partial disposal involving loss of control over a subsidiary that includes a foreign operation; or
- a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences relating to the sold investment are re-attributed to non-controlling interests. For all other partial disposals of investments in associates or joint arrangements that do not result in the Group losing significant influence or joint control, the proportionate share of the exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments of the identifiable assets and liabilities arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in currency translation reserves.

2.5. Revenue

The Group after its change of focus, from May 2018 onwards, derives its revenue from income generated from B2C/Gaming services (online, console and mobile games, including casual games, role-play games and strategy games) and from B2B/Media services (platform and advertising services).

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer. Revenue from the granting of licences for games is recognised when it transfers control of a product or service to a customer. Where major risks pertaining to the receipt of the consideration exist or the customer is unable to use its licence for reasons that it is not responsible for.

If the granting of licences comprises an identifiable partial amount for several or subsequent services, the attributable revenue is recognised as a contract liability and released in profit or loss over the term of the licence. As a rule, revenue is released in correspondence with the provision of services.

Revenue is generally recognised at fair value of the consideration received or receivable after deduction of value added tax and other tax and after deduction of sales deductions such as bonuses and discounts.

2.6. Income Tax

The income tax expense represents the sum of the tax currently payable and deferred tax.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. In such cases, the currently payable and the deferred tax is equally recognised in the other comprehensive income or directly in equity. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

2.6.1. Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

2.6.2. Deferred Tax

Deferred tax is recognised for temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the net profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are calculated at the tax rates and based on tax laws that are expected to apply in the period when the liability is settled or the asset is realised. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

2.7. Intangible assets

a) Other Intangible Assets

Other intangible assets and ROU assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives through profit and loss. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. Industrial rights and licences are amortised over a period of no longer than five years.

b) Goodwill

The goodwill resulting from a business combination is recognised at cost less impairment losses, if any, and is reported under intangible assets in the consolidated statement of financial position.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units upon acquisition (or groups of cash-generating units) expected to benefit from the synergies of the combination.

Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Recoverable amount is the higher of value in use and fair value less costs of disposal.

Any impairment loss of goodwill is directly recognised in profit or loss. An impairment loss recognised for goodwill may not be reversed in a subsequent period.

On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

c) Internally-generated Intangible Assets – Research and Development Expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Internally-generated intangible assets arising from development or from the development phase of an internal project are recognised if the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be capitalised or no intangible asset is yet on hand, the development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired. Capitalised development expenditure is generally amortised in the Group over a useful life of 4 years on a straight-line basis.

d) Intangible Assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and measured at their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are measured at cost less accumulated amortisation and, where appropriate, accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

e) De-recognition of Intangible Assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised. They are reported in other income or other expenses, respectively.

2.8. Property, plant and equipment

Plant and machinery as well as fixtures and equipment are stated at cost less accumulated depreciation and recognised impairment loss.

Depreciation is recognised so as to write off the cost or revaluation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method.

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Other plant, fixtures and equipment are predominantly depreciated over a period of three to five years. Property, plant and equipment is depreciated over the economic useful life on a straight-line basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2.9. Impairment of Tangible and Intangible Assets Excluding Goodwill

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the recoverable amount of an asset cannot be estimated, the recoverable amount of the cash-generating unit the asset relates to is estimated. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life or such that are not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. The estimated future cash flows are discounted at a pre-tax rate in determining the recoverable value. Said pre-tax rate firstly takes current market estimates on the time value of money into account and, secondly, the risks inherent in the asset to the extent that these have not already been included in the estimate of the cash flows.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation reserve increase.

2.10. Financial Assets

Financial assets are recognised when a group company becomes a party to the contractual provisions of the financial instrument.

Financial assets are measured at fair value on initial recognition. Transaction cost that are directly attributable to the acquisition of financial assets that are not measured at FVTPL increase the fair value of the financial assets upon initial recognition. Transaction costs that are directly attributable to financial assets, which are measured at FVTPL, are directly recognised in the consolidated statement of profit and loss.

Purchases or sales of financial assets are recognised and derecognised on a trade date basis, unless their delivery is outside the customary time period.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

2.10.1. Classification of Financial Assets

Debt instruments that meet the following two conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following two conditions are measured at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

All other financial assets not meeting the conditions stated above are principally measured at FVTPL. The Group does not disclose any equity instruments in this category in the financial year.

Equity instruments measured at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the equity instruments. Dividends are included in the “other finance income” line item in profit or loss.

The Group has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of IFRS 9.

2.10.2. Foreign Exchange Gains and Losses

The fair value of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically;

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the “other gains and losses” line item;
- for investments in equity instruments measured at FVTOCI, exchange differences arising on measurement at fair value are recognised in other comprehensive income in the investments revaluation reserve.

2.10.3. Impairment of Financial Assets

The Group always recognises the lifetime expected credit loss (ECL) for trade receivables and other assets. These are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor’s current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Fair value of money is additionally taken into account where appropriate. No credit risks were identified for trade receivables and contract assets and therefore no expected credit losses were recognised in the period ended 31 December 2018.

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities of the Group. Any resulting recoveries made are recognised in profit or loss.

2.10.4. Derecognition of Financial Assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has designated on initial recognition to be measured at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

2.11. Cash and cash equivalents

Cash and bank balances are measured at cost, comprising cash, call deposits and other short-term highly liquid financial assets with a term of a maximum of three months.

2.12. Shareholder's equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs. Issue costs refer to costs that would not have been incurred had the equity instruments not been issued.

Repurchase of the Company's own equity instruments is deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Debt and equity instruments issued by a group entity are classified as financial liabilities or equity in accordance with the substance of the contractual agreement and the definitions.

2.13. Short-term and Other Long-term Employee Benefits

For short-term employee benefits (wages, sick pay, bonuses, etc.), the undiscounted amount of the benefits expected to be paid in exchange for that service provided shall be recognised in the period in which the employee provides the service.

The expected cost of short-term employee benefits in the form of compensated absences shall be recognised in the case of accumulating benefits when the service that increases employees' entitlement to future compensated absences is rendered. Non-accumulating compensated absences, however, are recognised at the time when the absences occur.

Liabilities from other long-term employee benefits are measured at the present value of the estimated future cash outflows the Group expects for the service rendered by the employee as at the balance sheet date.

2.14. Other Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that the settlement of the obligation involves an outflow of resources, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured on the basis of the estimated cash flows required to settle the obligation, these cash flows shall be discounted (when the interest effect is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.15. Severance payments

A liability for a termination benefit will be recognised at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when the Group recognises any related restructuring costs.

2.16. Financial Liabilities

Financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. These are measured at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

Financial liabilities are measured at fair value on initial recognition. Transaction cost directly attributable to the issue of financial liabilities that are not measured at FVTPL, reduce the fair value of the financial liabilities on initial recognition. Transaction costs directly attributable to financial liabilities that are measured at FVTPL, are directly recognised in the consolidated statement of profit and loss.

a) Financial Liabilities Measured at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is contingent consideration of an acquirer in a business combination, held for trading or it is designated as at FVTPL.

The Group did not identify any financial liabilities measured as at FVTPL in the financial year.

b) Financial Liabilities Measured Subsequently at Amortised Cost

Financial liabilities that are not contingent consideration of an acquirer in a business combination, held-for-trading, or designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and charges paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount derived from its initial recognition.

c) Derecognition of Financial Liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the consolidated profit or loss statement.

When the Group exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 % different from the discounted present value of the remaining cashflows of the original financial liability. If the modification is not substantial, the difference between the carrying amount of the liability before the modification; and the present value of the cashflows after modification should be recognised in profit or loss as the modification gain or loss within other income.

Contingent liabilities acquired in a business combination are initially measured at fair value at the acquisition date. At the end of subsequent reporting periods, such contingent liabilities are measured at the higher of the amount that would be recognised in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount recognised initially less, where appropriate, the cumulative amortisation recognised in accordance with the principles of IFRS 15.

2.17. Cash flow statement

Cashflows from operating activities are calculated by using the indirect method. In the case of compound transactions the underlying amounts are allocated to several cash flow sections if necessary. Cashflows in foreign currencies were translated by using the annual average foreign currency exchange rate. Cash funds are determined as cash and cash equivalents plus current liabilities due to banks.

Financial liabilities are all liabilities due to banks and interest-bearing loans granted by shareholder or suppliers. Interest and dividend income are disclosed in the cashflows from operating activities, whereas interest paid or received are disclosed in the cashflows from financing activities. Tax payments are shown in the cashflows from operating activities because an allocation to individual activities is not practicable.

The composition of the cash funds, the general disclosure (structure and content) of the cashflow statement and the voluntary disclosure options remain unchanged compared to the prior year.

2.18. Estimation Uncertainty and Critical Accounting Judgements

In preparing the consolidated financial statements, assumptions and estimates are to be made that have a significant impact on the amount and the reporting of the assets and liabilities, income and expense items and contingent liabilities recognised.

The assumptions mainly relate to the determination of the useful lives of intangible assets and property, plant and equipment in compliance with the unified policies across the Group.

The estimates used have a significant influence on the determination of discounted cash flows in the purchase price allocation process and of impairment tests, on the valuation of internally-generated intangible assets, allowances on receivables, other provisions and realisability of deferred tax assets.

Estimates are based on experience and premisses valid at reporting date and that are considered appropriate under the given circumstances. The future development that is considered most probable is assumed for this purpose. The development of banks and providers of similar services and of the company environment are also taken into account. The estimates and the underlying assumptions are continually reviewed. However, in individual cases, the actual values might deviate from the assumptions and estimates made if the mentioned framework conditions develop differently than expected at reporting date. Changes are recognised through profit and loss at the time they become known and the premises adjusted accordingly.

Key Sources of Estimation Uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the amounts reported of assets and liabilities within the next financial year, are discussed below.

a) Accounting for and Impairment of internally-generated intangible assets

The Group renders in-house development services (further game development). In this context, a decision must be made on an annual basis regarding to what extent development services are capitalised as internally-generated intangible assets. The internally-generated intangible assets are recognised at kEUR 3,727 in the consolidated statement of financial position as at 31 December 2018 (2017: kEUR 0).

The progress of the individual projects has been satisfactory, and customer response to the executive board's previous estimates of expected revenue from the respective projects has also been confirmed. Higher competitor activity, however, has prompted the executive board to reconsider its assumptions concerning future market shares and expected profit margins for individual projects. Following a detailed sensitivity analysis, the executive board has reached the conclusion that the carrying amount of the assets is to be realised in full regardless of possibly lower revenue. The situation will continue to be monitored closely and adjustments will be made in the coming financial years if the future market situation should make this appear appropriate.

b) Impairment of goodwill

In order to determine goodwill impairment, it is required to determine the recoverable amount of the cash-generating unit to which the goodwill has been allocated. The calculation of the recoverable amount requires an estimate of future cash flows from the cash-generating unit as well as an appropriate discount rate for the calculation of the present value. If the actual expected future cash flows are lower than the previous estimate, this might result in material impairment.

The carrying amount of goodwill amounted to kEUR 133,756 as at 31 December 2018 (2017: kEUR 0). In 2018, as in the prior year, there was no loss of risk and therefore no impairment requirement.

c) Taxation Provisions

The Group's current tax provisions at 31 December 2018 of kEUR 253 (2017: kEUR 0) relate to the executive board's assessment of the amount tax payable in respect of tax returns that have not yet been assessed. Uncertain tax items relate principally to the interpretation of tax legislation regarding arrangements entered into by the Group. Due to the uncertainty associated with such tax positions, there is a possibility that, on conclusion of open tax matters with the tax authorities at a future date, the final outcome may differ significantly.

d) Deferred Tax Assets on Loss Carry-forwards

Income tax is to be estimated for each individual tax jurisdiction in which the Group operates. The expected actual income tax and the temporary differences from the divergent treatment of specific items recognised in the balance sheet in the consolidated financial statements pursuant to IFRS and the corresponding tax bases. To the extent that temporary differences arise, these differences principally result in the recognition of deferred tax assets and liabilities in the consolidated financial statements. The executive board is required to make assessments in calculating actual and deferred taxes. Deferred tax assets are recognised to the extent that it is probable that these can be utilised. The utilisation of deferred tax assets depends on the ability to generate sufficient taxable profits according to the respective tax type and jurisdiction, taking into account, where relevant, legal restrictions concerning the maximum period allowed for loss carry-forwards.

In assessing the probability of the future usability of deferred tax assets, several factors are to be taken into account such as, the financial performance of the past, operational planning, loss carry-forward period and tax planning strategies. Where the actual results deviate from these estimates or where these estimates are to be adjusted in future period, this might negatively affect the assets, liabilities, financial position and financial performance.

If the impairment assessment for deferred tax assets is changed, the deferred tax assets are to be reduced through profit and loss.

No deferred tax assets were recognised on certain corporation income and trade tax loss carry-forwards of kEUR 58,613 (2017: kEUR 0) and kEUR 53,253 (2017: kEUR 0), respectively, as at 31 December 2018 since the entities currently affected have a loss history, and it can, at present, be assumed that under the medium-term tax result planning, that these above-mentioned tax loss carry-forwards will probably not be utilised. These loss carry-forwards can be utilised for an indefinite period.

e) Fair Value Measurement

Some assets and liabilities of the Group are measured at fair value for financial reporting purposes. To the extent possible, the Group uses observable market data to determine the fair value of assets and liabilities. Where Level 1 inputs are not available, the Group engages qualified external experts to perform the measurements. The Group works closely with external experts in order to determine appropriate measurement procedures and inputs. The chief financial officer reports regularly to the supervisory board to lay down the reasons for fluctuations in the fair values of assets and liabilities.

On the acquisition of gamigo AG of the material assets of Trion Worlds Inc., an agreement was concluded with the seller, stipulating that in return for the acquired assets and liabilities, a contingent consideration depending on the future performance of the acquired assets shall be paid in addition to the purchase price payable in cash. On the date of acquisition of 22 October 2018, the market value of the contingent consideration to be paid in the future was required to be determined under the pertinent Standard, IFRS 3 ‘Business Combinations’. For this purpose, gamigo has recognised an amount of kEUR 143 as liabilities.

See note 3 for details on the measurement methods applied and inputs in determining the fair values of the various assets and liabilities.

2.19. New and revised IFRS issued but not yet effective

The following new or amended standards and interpretations have been issued by the IASB, but have not yet become mandatorily effective or been incorporated in European law. The provisions were not subject to early application by the Group.

IFRS 17 *Insurance Contracts*

The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 *Insurance Contracts*.

The standard outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model will use current assumptions to estimate the amount, timing and uncertainty of future cash flows and it will explicitly measure the cost of that uncertainty, it takes into account market interest rates and the impact of policyholders’ options and guarantees.

The implementation of the standard is likely to bring significant changes to an entity’s processes and systems, and will require much greater coordination between many functions of the business, including finance, actuarial and IT.

The standard is effective for annual reporting periods beginning on or after 1 January 2021, with early application permitted. It is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

The executive board of the Company does not anticipate that the application of the standard in the future will have an impact on the Group’s consolidated financial statements as it does not hold any corresponding insurance contracts.

Amendments to IFRS 10 and IAS 28 *Sales or Contributions of Assets between an Investor and its Associate/Joint Venture*

The amendments address a conflict between the requirements of IAS 28 *Investments in Associates and Joint Ventures* and IFRS 10 *Consolidated Financial Statements*. They clarify that the extent to which gain or loss is recognised for transactions between an investor and its associate or joint venture depends on whether the assets sold or contributed constitute a business as defined in IFRS 3. In the meantime, the IASB postponed the effective date of this amendment indefinitely.

Until now, transactions with associates or joint ventures within the Group do not include a business as defined in IFRS 3 but only individual assets. Therefore, the executive board anticipates that the amendments to IFRS 10 and IAS 28 will not have an impact on the Group's result for the year.

Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures*

The amendments address long-term interests in associates and joint ventures that form part of the net investment in the associate or joint venture but to which the equity method is not applied. They clarify that the application of IFRS 9, including its impairment requirements, is given priority with respect to such long-term interests before losses that equal or exceed the carrying amount of the investment are recognised and before the impairment requirements under IAS 28 for net investments are applied.

The amendments apply retrospectively to annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. For initial application, specific transition provisions apply.

The executive board of the Company does not anticipate that the application of the amendments to IAS 28 in the future will have an impact on the Group's consolidated financial statements.

Amendments to IFRS 9 *Prepayment Features with Negative Compensation*

The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.

The amendment applies retrospectively to annual periods beginning on or after 1 January 2019, with earlier application permitted. For its initial application, there are specific transition provisions, relative to the already applied IFRS 9.

The executive board of the Company does not anticipate that the application of these amendments in the future will have an impact on the Group's consolidated financial statements.

Annual Improvements to IFRS Standards (2015 – 2017 Cycle)

IFRS 3 *Business Combinations*	An acquirer who obtains control of a business that is a joint operation, is obliged to apply the requirements under IFRS 3 for a business combination achieved in stages, i.e. remeasuring its previously held interest (PHI) in the joint operation at fair value when control is obtained.
IFRS 11 *Joint Arrangements*	An entity does not remeasure its PHI when it obtains joint control of a joint operation that is a business.
IAS 12 *Income Taxes*	The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.
IAS 23 Borrowing Costs	The amendments clarify that specific borrowings for the procurement of a qualifying asset only remain unconsidered when calculating the interest rate on general borrowings if the qualifying asset is not yet ready for its intended use or sale. If, however, any specific borrowing remains outstanding after the qualifying asset is ready for its intended use or sale through appropriate measures, that borrowing becomes part of the funds that an entity borrows generally and are to be taken into account when calculating the interest rate.

All the amendments are effective for annual periods beginning on or after 1 January 2019 and generally require prospective application.

The executive board of the Company does not anticipate that the application of the amendments in the future will have a major impact on the Group’s consolidated financial statements.

Amendments to IAS 19 *Employee Benefits Plan Amendment, Curtailment or Settlement*

The amendments clarify that if a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the actuarial assumptions used for the remeasurement. IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income.

An entity applies the amendments to plan amendments, curtailments or settlements occurring on or after the beginning of the annual period that begins on or after 1 January 2019. Retrospective application is therefore not intended.

The amendments to IAS 19 may have an impact on the consolidated financial statements to the extent relevant plan amendments, curtailments or settlements are made in the future.

Amendments to IFRS 3 *Definition of a Business*

The amendments to IFRS 3 *Business Combinations* serve to clarify the definition of a business.

As before, the definition of a business comprises the three components input(s), process(es) and output. The input and the processes applied to those inputs shall be used in such a way as to contribute to the ability to create output. The changed definition of output focuses on goods and services provided to customers, however, it also includes investment income such as dividends, interest and other revenues. In contrast, cost reductions are not any more a feature of the output definition.

The amendments clarify that to be considered a business, an acquisition must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Therefore, the existence of processes ultimately constitutes the difference between the acquisition of a business and the acquisition of a group of assets. The evaluation depends on whether or not the acquired group of activities and assets already create outputs.

In addition, a so-called concentration test was introduced as a transaction-related option that permits a simplified assessment of whether an acquired set of activities and assets is not a business. This is the case when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset (or group of similar identifiable assets).

The amendments are to be applied for the first time for transactions with an acquisition date on or after the beginning of annual periods beginning on or after 1 January 2020 (prospective application). Early application is permitted and must be disclosed accordingly.

The amendments to IFRS 3 may have an impact on the consolidated financial statements to the extent relevant transactions take place in the future.

Amendments to IAS 1 and IAS 8 *Definition of Material*

The amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors aim at refining the definition of materiality by aligning the wording of the definition used in different standards and pronouncements of the IASB and clarifying the concepts related to the definition. Thus, the concept of obscuring is introduced and illustrated by examples.

The revised definition focuses on material information. According to this revised definition, information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of financial statements under IFRS make on the basis of those financial statements.

The revised definition of material will only be contained in IAS 1 in the future. IAS 8 merely refers to the fact that “material” is defined in IAS 1 and is to be applied with the same meaning in IAS 8.

The amendments are to be applied prospectively to annual periods beginning on or after 1 January 2020.

The executive board of the Company does not anticipate that the application of the amendments in the future will have a major impact on the Group’s consolidated financial statements.

IFRIC 23 *Uncertainty over Income Tax Treatments*

IFRIC 23 sets out the accounting for current and deferred tax liabilities when there is uncertainty over income tax treatments.

Such uncertainties arise when the application of the applicable tax law to a specific transaction is unclear and therefore depends – among other things – on the interpretation by the tax authorities that is, however, not known to the entity when it prepares its financial statements.

An entity only considers these uncertainties in its recognised tax liabilities or assets when a payment or reimbursement of the corresponding tax amounts is probable. In making these considerations, an entity is to assume that the tax authorities will exercise their right to examine any reported amounts and will have full knowledge of all related information when doing so.

If facts and circumstances change that served as a basis for the assessment of uncertainties or if new relevant information becomes available, the consideration is to be reviewed and adjusted, where necessary.

Applying IFRIC 23 may have an impact on the consolidated financial statements when transactions are made where there is uncertainty over income tax treatments.

3. Acquisition of subsidiaries

3.1. Acquisition of Samarion SE

On 9 May 2018, the Company acquired 100% of the shares in Samarion SE, Germany, from Bodhivas GmbH, Germany, for a purchase price of EUR 62 million. The purchase price was settled through promissory notes and cash payments. With the acquisition of Samarion SE, the Company indirectly acquired 19 subsidiaries and one associate entity, including 53% of the voting rights of gamigo AG.

The acquisition of Samarion SE resulted in an identified goodwill.

a) Acquired subsidiary

	Core activity	Acquisition date	Acquired shares	Acquisition cost kEUR
Samarion SE	holding of gamigo AG	09 May 2018	100.00 %	62,000

Samarion SE and its subsidiaries, including gamigo AG, were acquired with the purpose of pursuing a strategy of 'buy-integrate-build-and-improve' companies within the media and gaming industries in order to build fast-growing profitable sector champions.

b) Consideration transferred

	kEUR
Promissory Note I	42,000
Promissory Note II	16,000
Promissory Note III	4,000
	62,000

c) Acquired assets and liabilities recognised at the acquisition date

	9 May 2018 kEUR
Assets	
Intangible assets	57,190
Cash and cash equivalent	754
Fixed assets	2,638
Financial assets	5,614
Issued loans	840
Deferred tax assets	7,141
Other assets	6,850
Liabilities	
Trade and other liabilities	17,330
Loans	21,576
Provisions	3,277
Other liabilities	14,408
Net assets	**24,436**

The receivables acquired in the course of the transaction, which mainly consists of trade receivables, have a fair value and gross contractual value of kEUR 3,843. It is expected that these claims will be fully recoverable.

d) Goodwill

The goodwill resulting from the business combinations composes is shown in the following table:

	Samarion SE in kEUR
Consideration transferred	62,000
Fair value of non-controlling interest	96,192
	158,192
Less: Acquired net assets	24,436
Goodwill	**133,756**

The goodwill includes non-separable intangible assets, such as knowledge and skills of the employees (assembled workforce), and expected impact resulting from the expected acquisitions.

The incidental acquisition cost amounting to kEUR 163 were not included in the purchase price and were recognised as other operating expenses in the consolidated income statement.

e) Net cash outflow

In the course of the acquisition of Samarion SE, there has been a cash outflow of kEUR 400 as at 31 December 2018.

f) Impact of the acquisition on the Group result

The acquired business operation contributed revenue amounting to EUR 32.6 million and a net profit of EUR 2.7 million to the Group result, considering the effects of the purchase price allocation and integration costs, for the period between the acquisition date and the 31 December 2018. If the results of operations of subsidiaries have been consolidated from 1 January 2018, the revenue would amount to EUR 45.3 million and the profit after tax would amount to EUR 1.6 million (prior to the acquisition, the acquired business incurred losses).

3.2. Acquisition of the material assets of Trion Worlds Inc.

On 22 October 2018, gamigo US Inc. acquired the majority of assets, including platform and customer relations of Trion Worlds Inc. ("Trion Worlds"). In addition, part of the liabilities from operating activities and qualified employees were taken over in order to continue operations and the Group obtained the full publishing rights of the games.

Trion Worlds was a leading U.S. gaming company with offices in California and Texas. Its portfolio as a publisher and developer includes popular online and console MMO games such as Rift, Defiance, Trove and ArcheAge. The assets were acquired in the context of an 'assignment for the benefit of the creditors" process where the purchaser acquires selected assets with which it would like to continue the business. The assets were acquired since the purchase price turned out to be profitable when compared to revenue. The acquisition would result to a potential significant increase in the Group's revenue and EBITDA. With this acquisition, the Group continues to pursue its strategy and brings in its expertise in the sustainable monetisation of online games.

The acquisition of the assets and parts of the liabilities and employees is a business combination in regard to IFRS 3. The initial measurement of the assets and liabilities was provided by external experts and the results were disclosed in a separate valuation report. The report distinguished intangible assets and fixed assets. Identified intangible assets measured at fair value are customer relationships and platform. Office and IT equipment were identified as tangible assets and revalued. Furthermore, trade receivables and certain trade payables were identified and revalued.

For customer relationships, the fair value determined by using the residual value method amounted to kEUR 2,435. For valuation, the stand alone forecast for the gamigo US Inc was taken into account and is part of the forecast of the whole Group. The forecast is based on considerable experience and skills of the Group with MMO games as well as historical data of Trion Worlds. Due to the results of forecast, license fees depending on revenues were considered material. Other substantial costs, including personnel, marketing, and IT costs were identified, deducted from revenue and constituted in EBITDA. The forecast is conducted in EUR.

The platform was identified as intangible asset. The platform is the central system for all transactions and payments of Trion Worlds. The Glyph is part of the platform, through which customers can download the game, enter the game area, and obtain access to the game. To determine a reliable fair value of the platform, independent external experts analysed which costs would be necessary to develop the platform. The average wages and salaries of the development team were used as basis for the analysis. According to the concept of reproduction, the fair value amounted to kEUR 8,066.

The amounts of acquired assets and assumed liabilities are presented in the table below:

	in kEUR
Identifiable intangible asset	10,501
Property, plant and equipment	1,127
Financial assets	1,278
Financial liabilities	-2,294
Deferred tax liabilities	-1,962
Foreign currency translation	30
	8,681
Total consideration	
Cash	3,473
Contingent consideration arrangement	143
	3,616
Net cash outflow arising on acquisition	
Cash consideration	3,473

The fair value of the financial assets includes trade receivables with a fair value of kEUR 1,278. The best estimate at acquisition date of the contractual cash flows not to be collected are kEUR 0. The gross amount of the trade receivables corresponds to the net value, as of the consolidated balance sheet date all trade receivables were collected.

The total consideration for the acquisition of the assets and liabilities consists of fixed cash component and contingent consideration as shown in the above table. The contingent consideration arrangement requires an additional purchase price to be paid when the subsequently generated revenue exceeds a certain amount. The maximum additional purchase price is capped at kUSD 2,000. The potential undiscounted amount of all future payments that the Group could be required to make under the contingent consideration arrangement is between kUSD 0 and kUSD 2,000. An amount of kUSD 164 (kEUR 143) was initially determined as contingent consideration as at 22 October 2018. The probability of occurrence is considered to be medium. The corresponding amount is accounted for as other financial liability. The contingent consideration arrangement will expire on 31 December 2019. No further contingent liabilities are to be recognised from the purchase of the assets and liabilities.

Acquisition-related costs (included in administrative expenses in the 2018 consolidated statement of comprehensive income) amounted to kEUR 108.

The bargain purchase was recorded in other operating income and amounts to kEUR 5,065. The lucky buy is mainly due to additionally identified intangible assets (kEUR 10,501) less related deferred taxes (kEUR 1,962) totalling kEUR 8,539.

The business operations acquired contributed kEUR 3,471 and kEUR 686 to the Group's revenue and profit for the period, respectively. Quantitative information concerning the contribution of the revenue and profit for the period of the acquired assets and liabilities to the Group's operating results under the assumption that they were acquired on 1 January 2018 cannot be provided without significant cost and a degree of uncertainty. Certain assets and liabilities were dissolved from the entire unprofitable business of Trion Worlds and were integrated into the established expertise, infrastructure and management of the Group. It is extremely hypothetical to predict what effect these would have had ten months prior under a partially changed management structure of the Group.

3.3. Acquisition of the material assets of WildTangent Inc.

On 3 April 2019, the Group, through gamigo Inc, acquired material assets, and assumed certain liabilities of WildTangent Inc. ("WildTangent") for a total consideration of kEUR 3,571. WildTangent is a leading publisher of casual games in Bellevue, Washington, U.S.

By acquiring WildTangent, the Group continues its series of successful acquisitions and takes advantage of the consolidation potentials in the market. Based on its platform strategy, synergies between the Company and its acquired entities can be leveraged and, hence, contribute to the further profitable growth of the Group.

By acquiring the assets of WildTangent and Trion Worlds, gamigo was able to substantially strengthen its position in the U.S., one of the biggest gaming markets in the world.

3.4. Acquisition of majority of shares of ReachHero GmbH

On 17 May 2019, the Group acquired 65.42% shareholding in ReachHero GmbH ("ReachHero"), Berlin, Germany. On the same date, the Group signed a capital increase in ReachHero to increase its shareholding up to 67.4%. The purchase price is settled by issuance of the Company's shares and payment in cash. The number of shares will be issued in line with potential purchase price adjustments and shall be subject to a lock-up period of six to twelve months. The founders will retain a stake in ReachHero and will continue to manage the company.

ReachHero has a leading platform solution for influencers and advertisers in Europe. Subsequent to the acquisitions of Mediakraft Group and adspree media GmbH by Gamigo AG, additional media asset is supplementing the Group portfolio in the B2B area.

3.5. Acqusition of all shares of AppLift GmbH

On 12 June 2019, the Group acquired 100% of the shares in AppLift GmbH ("Applift"), Berlin, Germany for a consideration price of EUR 5.960 million. The consideration was partly paid by cash and promissory notes. Applift is a leading international mobile performance agency concentrating on supporting app publisher in branding of their apps as well as customer acquisition for their apps. The majority ownership of Applift to Pubnative was part of the acquisition deal. Pubnative runs a supply side platform that supports app publishers in selling their advertising for best price via bidding mechanisms

4. Disposal of subsidiaries

The shareholding in solidare real estate holding GmbH, together withd its subsidiaries, were completely disposed of on 9 May 2018. Consequently, these entities have been de-consolidated as of disposal date. The purchase price amounted to EUR 42.93 million.

The composition of the net assets on the date of disposal is shown in the following table:

	9 May 2018 kEUR
Assets	
Real estate property	103,859
Cash and cash equivalents	611
Fixed assets	438
Intangible Assets	759
Other assets	4,200
Liabilities	
Trade and other liabilities	2,623
Loans	56,008
Provisions	3,102
Deferred tax liabilities	7,466
Other liabilities	1,439
Total net assets transferred	**39,229**
thereof attributable to non-controlling interest	*3,364*

The result of the de-consolidation is as follows:

	9 May 2018 kEUR
Purchase price received	42,930
Add: Net assets attributable to non-controlling interest	3,364
Less: Fair value adjustment	-1,420
	44,874
Less: Net assets transferred	39,229
Gain on sale	**5,645**

The gain on sale amounting to kEUR 5,645 is included in the result from the discontinued operation in the consolidated income statement (see section 34 of these Notes).

5. Segment Information

a) Products and services from which reportable segments derive their revenues

Under IFRS 8, on the basis of the internal reporting, operating segments are to be defined across group divisions that are subject to a regular review by the Chief Operating Decision Maker of the Company with respect to decisions on the allocation of resources to these segments and the assessment of segment performance. Information reported to the Chief Operating Decision Maker for the purposes of resource allocation and assessment of segment performance is focused on the two segments of B2C/Game Publishing and B2B/Media and Platform Services.

B2C/Game Publishing

In the B2C/Game Publishing division, online and mobile games are made available to end customers, supported, operated and sometimes developed internally. The Group offers and operates a broad portfolio of online and console games, including casual games, role-play games and strategy games. It markets its products and services to gamers in Europe, North and South America and Australia with the focus being on Europe and North America. The games are licensed exclusively, either worldwide or for certain regional territories. In Asia, the Group does not market its product directly but makes the games available in cooperation with licence partners.

The so-called free-to-play Massively Multiplayer Online Games (MMOGs) account for the most important share of revenue in the Group portfolio. Free-to-play means that the consumers in general play free of charge but can acquire goods for a fee (so-called “items”) that increase the gaming experience and/or facilitate faster success, in particular, by adding new equipment or new functions for the game characters. By means of this business model, revenue has the potential to scale better as customers usually do not just pay once but, thanks to various incentives in the games, are motivated to invest money in the games on a continuous basis and over a longer period of time. MMOG means that, often, several thousands of players meet and interact with one another in an arena or server environment. Due to the large number of co-players who play the game at different times and are frequently linked to one another through gamers communities (so-called “guilds” or “clans”), in most cases, the users play a game over several months or even years. Within the MMOGs, there is a technical difference between browser games (games are played in the browser online), client games (games are first downloaded and the client is saved on the PC. However, during the game, players must be online in order to be able to communicate with the server) and console games (games are played online on consoles such as Xbox and PlayStation). In addition, the portfolio includes games that can be played on Facebook and/or on mobile end devices (iOS and Android). In these types of games, apart from the items that can be paid for, advertisements and advertising videos are also shown.

The Group has various MMOGs, especially anime and fantasy role plays, strategy and shooter games. The casual games that are also marketed by the Group, typically are simpler games which are not that intensive and are mostly played for shorter periods of time (these especially comprise puzzles, quizzes and skill games).

Currently, the Group offers over 30 MMOGs and more than 500 casual games. These include various MMOGs, e.g. Fiesta Online and Shaiya, which have been on the market for many years now. The revenue generated by these games, if the games are well supported and marketed, usually shows only slight churn, but by optimising marketing and improving the game content revenue can be stabilised or returned to growth.

The Group has driven its growth in the Game Publishing business division to a large extent by market consolidation. The acquisition of new customers for the games offered by the Group is done via marketing to the Group’s own customer base and on portals. In addition, the Group’s games are offered via the B2B advertising companies of the Group and, among others, on their portals or through other advertising measures. In selling its games, the Group also works with a large number of third party customer acquisition and sales channels (including partner websites, TV broadcasting companies, print media, telecommunications providers and marketing partners).

B2B/Media and Platform Services

Besides the B2C/Game Publishing division, the Group has been developing the B2B/media and platform services that are offered to business customers. For the most part, the same systems and infrastructures are used in the background of the platform services that are used in the context of game publishing. Media (online advertising, own portals, influencers and social marketing) services are offered to third parties but are also used for the own B2C/Gaming companies. While the platform modules were primarily used for Group's own activities in 2018, there are future plans to make the services available on a 'software-as-a-service' basis to other games publishers and developers.

The Group particularly provides marketing and sales opportunities within the Media and Platform Services division. To a lesser extent, 'platform-as-a-service' products continue to be offered. The Group also in this segment created further synergies driven by acquisitions. Based on further acquisitions, there was a broad offering of payment services, which resulted in the decision that the 100% equity investment in Mobile Business Engine GmbH was no longer required. Owing to the enhanced synergies, the Group is in a position to offer its customers comparable and better payment solutions.

In the Media Marketing and Sales division, services are now concentrated at adspree media GmbH and Mediakraft Networks GmbH. adspree media GmbH is an international 360-degree marketing agency for gaming companies and controls the acquisition of new users or players in a performance-oriented and efficient manner, using major channels, including search engine optimisation (SEO), search engine advertising (SEA), Facebook marketing, programmatic/real-time media buying, real-time advertising, influencer marketing, affiliate marketing and TV advertising. In addition, adspree media GmbH has a large number of game portals of its own that are used to address players. These also include SEO-oriented content portals and SEA-based portals.

Mediakraft Networks GmbH is a group of companies acquired in 2017 that is active in Germany, Poland and Turkey in the fields of online video, social marketing and influencer marketing with a strong market position in those countries. The Mediakraft Group manages complete YouTube channels for companies, supports YouTube stars and influencers and designs and implements influencer campaigns. Their own YouTube channels were shut down or handed over to partners at the end of the year due to low or uncertain advertising revenues. Alongside gaming channels and gaming-oriented stars, the Mediakraft Group also owns content in other areas.

On the one hand, synergies are boosted on the sales side, such as servicing adspree gaming customers through Mediakraft campaigns or addressing gaming target groups through adspree media GmbH for Mediakraft customers. On the other hand, the online video production expertise of the Mediakraft Group is also used for adspree campaigns and to generate video content for gaming portals.

In the B2B segment, the Group has its own technologies which will be used to consistently develop the gamigo platform. These technologies include tracking technologies that evaluate user activities within games and on advertising spaces, enabling improvements in how to approach customers and reductions in the cost of customer acquisition.

In the field of B2B platform services, merger and acquisitions ("M&A") is also considered an important part of the growth strategy. In the field of advertising/portals, POGED GmbH (merged with adspree media GmbH), Asset Gulli.com, adspree media GmbH, the portal MMOgames.com, Mediakraft GmbH and its subsidiaries were acquired. In addition, the HoneyTracks software was acquired in the Platform Services division as part of an asset deal.

b) Segment revenues and segment results

	B2C 2018 kEUR	B2B 2018 kEUR	Eliminations 2018 kEUR	Consolidated 2018 kEUR
Revenues	20,874	11,747	0	32,621
Segment result	7,520	1,561	0	9,081
Corporate expenses				(435)
Write-downs				(6,318)
Financial income				84
Financing expenses				(1,725)
Pre-tax result				687
Income tax benefit				895
Net result from continuing operations				1,582

The Group does not use geographical information for purposes of internal controlling nor for management reports. A separate collection of such data would result in disproportionate costs.

Due to the structure of customers in the B2C segment, there are no customers that constitute a proportion of more than 10 percent of the Group's revenues. The B2B segment in general is characterised by less small scaled customers. There are no customers that are responsible for more than 10 percent of Group's revenues.

The accounting policies of the reportable segments correspond to the Group accounting policies described above. The segment result represents the result that each segment generates without allocation of the share of the result of associated companies and joint ventures, the central administrative costs including the remuneration of the Management Board, the financial result, the non-operating profits and losses from financial instruments and financing costs as well as the income tax cost. The segment results is reported to the Group's chief operating decision maker for the purpose of resource allocation to the segments and the assessment of segment performance.

c) Segment assets

	31 Dec 2018 in kEUR	31 Dec 2017 in kEUR
B2C	192,096	0
B2B	44,197	0
Real estate	0	98,778
Total segment assets	**236,293**	**98,778**
Consolidated total segment assets	**236,293**	**98,778**

For the purpose of monitoring segment performance and allocating resources to segments, the Group's chief operating decision maker monitors the tangible, intangible and financial assets attributable to the individual segments. All assets including goodwill are allocated to the reportable segments.

6. Intangible assets

The development of book value is as follows:

	Internally generated intangible assets	Other intangible assets	Advance payments on other intangible assets	Goodwill	Total
	kEUR	kEUR	kEUR	kEUR	kEUR
1 January 2017	**0**	**1,109**	**0**	**0**	**1,109**
Additions from initial consolidation	0	0	0	0	0
Additions	0	0	0	0	0
Amortisation	0	-268	0	0	-268
Disposals	0	0	0	0	0
31 December 2017	**0**	**841**	**0**	**0**	**841**
Additions from initial consolidation	2,312	54,312	564	133,756	190,944
Additions	1,531	14,364	278	0	16,173
Additions from IFRS 16	0	3,251	0	0	3,251
Amortisation	(116)	(4,920)	0	0	(5,036)
Disposals	0	(2,029)	(2)	0	(2,031)
31 December 2018	**3,727**	**65,819**	**840**	**133,756**	**204,142**

For the purpose of impairment testing, goodwill is allocated to the following cash-generating units:

	31 Dec. 2018	31 Dec. 2017
	kEUR	kEUR
B2C	100,317	0
B2B	33,439	0
	133,756	**0**

The Group tests Goodwill for impairment at least annually, or more frequently when there is an indication that goodwill may be impaired. The Group has goodwill from the acquisition of business operations (asset deal) and from the acquisition of controlling interests in companies.
The recoverable amount of this goodwill was confirmed by impairment tests carried out on the balance sheet date. Goodwill is tested at the level of the B2B and B2C business segments, as this corresponds to the Group's internal management approach.

The impairment tests are based on the calculation of the recoverable amount of the cash-generating units based on their value in use. This calculation is based on cash flow projections based on a five-year financial plan approved by management. The cash flows from B2C include the effects from the acquisition of the TRION business. As in the previous year, cash flows for the period exceeding five years do not include a growth rate. Due to the long-term volatility of the online gaming business, no growth rates were expected. Gross margins of more than 50% and EBITDA margins of more than 20% were assumed. The assumed EBITDA margins are based on historical experience or were forecast on the basis of cost-reducing measures that have been launched. The cash flows were discounted using the discounted cash flow (DCF) method at an interest rate of 12.05% for B2C and 11.25% for B2B. The weighted average cost of capital used for discounting reflects the risk-adjusted pre-tax interest rate derived from the capital market (WACC).

7. Property, plant and equipment

The development of book value is as follows:

	kEUR
Acquisitions or production costs	
1 January 2017	**471**
Additions from initial consolidation	0
Additions	274
Depreciation	138
Disposals	56
31 December 2017	**551**
Additions from initial consolidation	2,638
Additions	2,620
Depreciation	1,282
Disposals	438
31 December 2018	**4,189**

8. Deferred tax assets

The accrual/deferral of deferred taxes is done pursuant to the liability method of IAS 12 income taxes. The tax rates valid on the reporting date of the annual financial statements apply.

The deferred tax assets in the amount of kEUR 10,826 (2017: kEUR 842) relating to the probable future utilisation of tax loss carry-forwards. Deferred tax assets and liabilities were netted for identical tax subjects, resulting in total deferred tax assets of kEUR 6,353 (2017: kEUR 842). Further explanations on the deferred taxes can be found in the sections 2.6 Income taxes, 20 Deferred tax liabilities, and 33 Income Taxes.

9. Financial assets

The first time application of IFRS 9 resulted in the following classification of financial assets compared to IAS 39. The amended classification did not lead to any adjustment effect.

	IAS 39 31 Dec 2017	IFRS 9 1 Jan 2018
Shareholdings in associated companies	available for sale	fair value with recognition of changes in other comprehensive income
Other financial assets	amortised acquisition costs	amortised acquisition costs
Trade receivables	amortised acquisition costs	amortised acquisition costs
Cash and cash equivalents	amortised acquisition costs	amortised acquisition costs

Financial investments in equity instruments are not held for trading purposes. Instead, they are held for medium to long-term strategic purposes. Accordingly, the Management Board has decided to designate the equity instruments as at fair value in a profit-neutral way because it believes that recognising short-term fluctuations in the fair value of these investments in the profit and loss account would not be consistent with the Group's strategy of holding these investments for medium to long-term purposes and realising their price potential correspondingly. For reasons of materiality, it is assumed that the book value of the shareholdings in associated companies as at 31 December 2018 corresponded to their fair value. As at 31 December 2018, the Group had financial investments in equity instruments amounting to kEUR 5,359 (2017: kEUR 126).

In addition, trade and other receivables amounting to kEUR 11,803 (2017: kEUR 2,789) includes loans and receivables from employees, other parties and security deposits.

Both the non-current equity investments and receivables from employees and other parties and security deposits are held by the Group in a business model whose objective is to hold financial assets to collect the contractual cash flows and whose contractual terms exclusively represent interest and principal payments on the outstanding nominal amount. Accordingly, all these financial assets are measured at amortised cost.

10. Impairment of financial assets

The assessment of risk provisions for loans to related parties led to the conclusion that there is no default risk.

In the current reporting period, there were no changes in the impairment methods or in significant assumptions with regard to determining value adjustments.

11. Trade receivables

The trade receivables reported have a remaining term of up to one year.

The Group derecognises a trade receivable when information is available that indicates that the debtor is in significant financial difficulty and there is no realistic prospect of payment. This would be the case, for example, if the debtor is in liquidation or insolvency proceedings or if the trade receivables are more than two years past due, whichever comes first. None of the derecognised trade receivables is subject to enforcement measures.

The value adjustments on trade receivables developed as follows:

		Overdue			
	Carrying amount	1 - 30 days	31 - 180 days	more than 180 days	Book values
	kEUR	kEUR	kEUR	kEUR	kEUR
31 Dec 2018	9,455	1,191	1,071	86	11,803
31 Dec 2017	2,789	0	0	0	2,789

With regard to the receivables, there is no indication based on the credit history and the current credit rating classifications that the customers are not able to meet their obligations.

12. Cash and cash equivalents

Cash and cash equivalents amounted to kEUR 4,447 as at 31 December 2018 (2017: kEUR 406).

13. Non-cash transactions

Significant non-cash transactions resulted from the disposal of the real estate business tied up with solidare real estate holding GmbH (section 4), acquisition of Samarion SE (section 3.1), acquisition of material assets and liabilities of Trion Worlds (section 3.2), and increase in shareholders' capital (section 14).

14. Shareholders' equity

The Company has an authorised capital of 300,000,000 ordinary shares as of 31 December 2018 with a nominal value of EUR 1.00 which do not entitle the subscriber to a fixed profit. As of 31 December 2018, 59,850,000 ordinary shares (2017: 40,800,000) were issued and fully paid.

	Number of shares		Common stock		Additional paid-in capital	
	31 Dec 2018 thousand	31 Dec 2017 thousand	31 Dec 2018 kEUR	31 Dec 2017 kEUR	31 Dec 2018 kEUR	31 Dec 2017 kEUR
Issued and fully paid-in capital: ordinary shares of par value EUR 1.00	**59,850**	40,800	**59,850**	40,800	**4,346**	6

During the year, capital increases in several steps were made. In August 2018, kEUR 16,000 were issued as part of the total consideration for the acquisition of Samarion SE (see also section 3.1). In addition, capital increases in 2018 were made in cash leading to an increase in common stock of kEUR 3,050, and increase in capital reserves of kEUR 742.

Additional transaction was performed by exchanging shares in gamigo AG between non-controlling interests and the Company leading to an increase of capital reserves of kEUR 3,604 and a decrease in non-controlling interests at the same amount.

In the period from 1 January to 31 December 2018, the Group did not grant any share-based options or payments to the employees of the Company. On 9 May 2018 the Company granted to Bodhivas GmbH the option to acquire 20,000,000 shares of the Company for a purchase price of EUR 1.20 per share. The option will end on 5 May 2020.

No dividend payments were made in the presented periods.

Capital Management

The Company fundamentally pursues the goal of generating an appropriate return on the capital used. The accounting capital of the Group, however, is merely used as a passive control criterion. The revenue and the EBITDA are used as active management parameters. The goal of the Company is to make substantial investments in the development of the corporate group, in particular for M&A activities, although they burden the short-term earning capacity of the company to a considerable extent. These growth targets mean that classic return criteria are not always at the forefront in this growth phase. The investments associated with this are the basis for the Company's long-term success. The Company is striving to remain a profitable corporate group in the short and long-term.

15. Financial liabilities

The financial liabilities are divided into the following classes:

	31 Dec 2018 kEUR	31 Dec 2017 kEUR
Leasing liabilities (current)	39	0
Leasing liabilities (non-current)	986	0
Bonds	24,877	0
Loans granted from third parties	0	28,049
Current tax liabilities	294	1,122
Current financial liabilities	3,556	16,967
Other financial liabilities (non-current)		
Liabilities due to affiliated companies	11,138	0
Remaining other liabilities	1,976	120
	42,866	**46,258**

Regarding the bonds, we refer to section 18 of these notes. In 2017, the loans granted from third parties pertain to substantial financing agreements that were signed with an institutional investor (credit line EUR 50 million) and a pension fund (credit line EUR 29 million) to replace existing short-term bank loans. Of this total, kEUR 12,158 and kEUR 15,891 have already been called up as of the balance sheet date of 31 December 2017. These loans from third parties were granted at fixed interest rates of 15.0% per annum or 3.1% per annum. At 9 May 2018, these financing agreements were disposed of as part of the sale of the real estate business.

The development of financial liabilities as at 31 December 2018 is as follows:

	31 Dec 2017	Take-up of new funds	Re-payment	Disposal due to sale of subsidiaries	Interest payments	31 Dec 2018
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Leasing liabilities (current)	0	39	0	0	0	39
Leasing liabilities (non-current)	0	986	0	0	0	986
Bonds	0	24,877	0	0	0	24,877
Special institutional funds	28,049	0	0	(28,049)	0	0
Current tax liabilities	1,122	294	(1,122)	0	0	294
Current financial liabilities	16,967	3,556	0	(16,967)	0	3,556
Liabilities due to affiliated companies	0	11,138	0	0	0	11,138
Remaining other liabilities	120	1,976	(120)	0	0	1,976
	46,258	**42,866**	**(1,242)**	**(45,016)**	**0**	**42,866**

The maturity analysis of the financial liabilities as at 31 December 2018 is as follows:

	up to 1 year	1 to 5 years
	kEUR	kEUR
Leasing liabilities (current)	39	0
Leasing liabilities (non-current)	0	986
Bonds	0	24,877
Current tax liabilities	294	0
Current financial liabilities	3,556	0
Liabilities due to affiliated companies	0	11,138
Remaining other liabilities	0	1,976
	3,889	**38,977**

The weighted average effective interest rate is as follows:

	31 Dec 2018	31 Dec 2017
	%	%
Bank loans	n/a	5.8
Overdrafts	n/a	n/a
Loans from affiliated companies or persons	4.0	4.0
Other loans	2.0	2.0
Bonds	11.6	n/a

Analysis of other financial liabilities by currency as at 31 December 2018:

	in EUR	in USD	Others	Total
	kEUR	kEUR	kEUR	kEUR
Leasing liabilities (current)	39	0	0	39
Leasing liabilities (non-current)	986	0	0	986
Bonds	24,877	0	0	24,877
Current tax liabilities	294	0	0	294
Current financial liabilities	3,556	0	0	3,556
Liabilities due to affiliated companies	11,138	0	0	11,138
Remaining other liabilities	1,976	0	0	1,976
	42,866	**0**	**0**	**42,886**

Analysis of other financial liabilities by currency as at 31 December 2017:

	in EUR	in USD	Others	Total
	kEUR	kEUR	kEUR	kEUR
Special institutional funds	28,049	0	0	28,049
Current tax liabilities	1,122	0	0	1,122
Current financial liabilities	16,967	0	0	16,967
Liabilities due to affiliated companies	0	0	0	0
Remaining other liabilities	120	0	0	120
	46,258	**0**	**0**	**46,258**

16. Other non-financial liabilities

The other non-financial liabilities amounting to kEUR 4,636 (2017: kEUR 691) mainly consist of liabilities to tax authorities at an amount of kEUR 2,068 (2017: kEUR 101) and deferred income at an amount of kEUR 1,697 (2017: kEUR 0).

17. Reporting on financial instruments

Classes and categories of financial instruments and their fair values

The following table provides information about classes of financial instruments based on their nature and characteristics, as well as the carrying amounts of financial instruments. The carrying amounts of the financial instruments listed below correspond to the fair values of the financial instruments. As at 31 December 2018, the Group does not hold any financial instruments whose carrying amounts differ materially from their fair values, so that fair values are not disclosed. The hierarchy levels as at 31 December 2018 are therefore not indicated in the values listed below.

	Carrying amount				
	Financial assets			Financial liabilities	
	At fair value through profit or loss	At fair value through equity	Amortised cost	At fair value through profit or loss	Amortised cost
	kEUR	kEUR	kEUR	kEUR	kEUR
31 December 2018					
Cash and bank balances	-	-	4,447	-	-
Trade receivables and other receivables	-	-	11,803	-	-
Financial assets	-	-	5,359	-	-
Bond	-	-	-	-	24,877
Leasing liabilities	-	-	-	-	1,025
Current financial liabilities	-	-	-	-	3,556
Other financial liabilities	-	-	-	-	13,114
Trade payables	-	-	-	-	9,162
31 December 2017					
Cash and bank balances	-	-	406	-	-
Trade receivables and other receivables	-	-	2,789	-	-
Financial assets			126		
Loans granted from third parties					28,049
Financial liabilities	-	-	-	-	17,087
Trade payables	-	-	-	-	1,124

Risks from Financial Instruments

Typical risks from financial instruments are the credit risk, the liquidity risk and the individual market risks. The risk management system of the Group is depicted in the risk report of the consolidated management report including its goals, methods and processes. On the basis of the information depicted below, we do not see any explicit risk concentrations from financial risks.

Credit Risks

The Group reduces the default risk of original financial instruments through trade information, credit limits and debtor management including dunning and proactive collection. In addition, to the best of its knowledge, the Group only concludes transactions with solvent customers. The maximum default risk results from the carrying amounts of the financial assets recognised in the balance sheet.

Liquidity Risks

The operational liquidity management encompasses a cash controlling atmosphere through which there is a merging of liquid funds. Liquidity surpluses and requirements can thus be managed in accordance with the Group’s requirements and those of individual Group companies. The due dates of financial assets and financial liabilities and estimates of the cash flow from operational activity are included in the short-term and medium-term liquidity management. Cash and cash equivalents totalling kEUR 4,447 (2017: kEUR 406) are available to cover the liquidity requirements. The liquidity risk is classified as low overall.

Market Risks

Market risk is understood to be the risk that the fair values to be applied or future payment streams of an original or derivative financial instrument will fluctuate as the result of changes in the risk factors and the risk that the fair value to be applied to the bond will change.

Currency Risks

Changes in exchange rates can result in unwanted and unforeseeable volatilities of results and payments streams.

As a result of the international alignment of the Group in the direction of the USA, there are currency risks within the framework of the business activity. The risk on the basis of the functional currency is to be classified as low as the subsidiaries gamigo Inc. and gamigo US Inc. generate income and expenses in US dollars. For this reason, there was no hedging of currency.

Translation Risks

At Group level, there is a translation risk that results from consolidations of subsidiaries that do not carry out their accounting in euros. The largest risk position is the US dollar and/or its respective change in relation to the euro. The long-term exchange risk that exists with investments in shareholdings that do not carry out their accounting in euros is rated continuously. From this translation risk with regard to the US subsidiaries, with an increase of the euro compared to the US dollar of 10% there would be no fundamental effect on the Group equity and the Group´s consolidated statement of profit or loss.

Interest Risks

The scope of the third-party financing associated with variable interest is substantial due to the bond, meaning that the risk resulting from volatile interest rates is significant. Against this backdrop, an interest rate hedge was contracted for the floating rate bond.

18. Bond

The Group, through gamigo AG, issued a senior secured bond loan of EUR 32 million on 11 October 2018, within a total framework amount of EUR 50 milion, primarily on the Swedish and continental European bond market. If investors wish to subscribe to further bonds and the Group requires liquidity, the Group has scope under the terms and conditions to issue new bonds up to a total volume of EUR 50 million. The bonds with ISIN SE0011614445 carry a floating interest rate of EURIBOR 3 months +7.75% per annum (EURIBOR floor at 0.00% applies) and matures on 11 October 2022.

The bond is traded at the regulated market of Swedish stock exchange and at the open market (quotation board) in Frankfurt/Germany.

19. IFRS 16 leases

The Group rents various assets including buildings, operating and office equipment. The average lease term is four years.

The effect of the first-time application of IFRS 16 on the consolidated balance sheet as at 1 January 2018 is described in detail in Note 2.2.

RoU Assets

The carrying amount of the RoU assets and the depreciation by classes were as follows:

	Carrying amount 1 Jan 2018	Additions	Write-downs	Carrying amount 31 Dec 2018
	kEUR	kEUR	kEUR	kEUR
RoU from building rental	0	3,161	873	2,288
RoU from IT equipment rental	0	66	0	66
RoU from vehicle leasing	0	24	13	11
	0	**3,251**	**886**	**2,365**

Leasing Liabilities

	31 Dec 2018	31 Dec 2017
	kEUR	kEUR
Long-term	986	0
Short-term	39	0
	1,025	**0**

Maturity Analysis

	31 Dec 2018
	kEUR
Up to 1 year	39
More than 1 year and up to 5 years	986
More than 5 years	0
	1,025

Interest expenses on leasing liabilities amounted to kEUR 215 in 2018. Rental expenses for short-term leases amounted to kEUR 60. Rental expenses for leases of assets of minor value amounted to Nil.

The Group had no sales and lease back transactions.

20. Deferred tax liabilities

Deferred tax liabilities relating to temporary differences between the fair values of intangible assets and their tax base arising from the initial consolidation of Samarion SE amounted to kEUR 14,418 (2017: kEUR 7,422). Certain additional deferred tax liabilities for identical tax subjects were netted with the respective deferred tax assets, we refer to section 33 of these notes.

21. Short-term provisions and accruals

	1 Jan 2018	Initial consolidation	Utilisation	Reversal or Disposal from the sale of shares	Allocations	31 Dec 2018
	kEUR	kEUR	kEUR	kEUR	kEUR	kEUR
Personnel-related obligations	0	816	503	318	582	577
Audit and closing costs	0	130	147	7	264	240
Land reclamation	2,967	0	0	2,967	0	0
Remaining provisions	357	2,331	1,669	135	4,970	5,854
	3,324	**3,277**	**2,319**	**3,102**	**5,816**	**6,671**

Provisions are made for current, legal and de facto obligations resulting from past events that are likely to lead to a future economic burden and whose size can be reliably estimated.

If a changed estimate results in a reduction in the size of the obligation, the provision is reversed accordingly and the income is posted in the area that was originally charged with the expense when the provision was formed.

Other provisions include litigation obligations, obligations for license costs and revenue shares, as well as milestone payments for various games.

All provisions have a term of up to one year.

22. Trade payables

Trade payables mainly comprise outstanding amounts for the purchase of goods and services as well as current costs.

Most suppliers do not charge interest for the first days after invoicing. Subsequently, different interest rates are payable on the outstanding amount.

The Management Board is of the opinion that the carrying amount of trade payables generally corresponds to their market value.

23. Litigation and contingent liabilities

Litigation and other legal proceedings often raise complex issues and entail numerous uncertainties and difficulties, including the facts and circumstances of each individual case, the court in which the action is pending and differences in applicable law. The results of currently pending or future proceedings are generally unpredictable. The final ruling in a court case, official decisions or a settlement may result in incurring expenses for which no provision has been made in the balance sheet to date due to the lack of reliable predictability, or which exceed the provision formed for this purpose.

In pending or future legal proceedings, the Group, drawing on the information available to its legal department and in close consultation with its lawyers, assesses whether and to what extent the Group must make provisions in its balance sheet. If any of the cases can reasonably be expected to result in costs that can be measured today, the present value is posted as a provision for legal disputes. These provisions cover estimated payments to plaintiffs, court and litigation costs, attorneys' fees and any settlement costs. On each balance sheet date, the Group's internal and external legal advisors assess the current status of the Group's significant legal risks. On this basis, they review whether and to what extent a provision should be formed or adjusted. Relevant information is taken into account right up until the consolidated financial statements are finalised.

In the course of its general business operations, the Group is involved in various legal disputes, in particular litigation and arbitration proceedings, or such proceedings could be launched in the future.

Legal disputes arising from the ongoing business operations of the Group refer to proceedings against IT service providers, service providers, vendors and former partners. Legal disputes are often the result of M&A transactions. Due to the takeover of loss-making companies and assets, legal disputes regularly arise after the acquisition. In many cases, payments aren't made due to inadequate or absent service provisions or because parties demand the payment of old liabilities that were not clearly assumed by the Group, so that this must be decided by arbitration or litigation. Provisions totalling kEUR 429 were formed to cover disputes resulting from the non-payment of receivables from IT service providers and other service providers; in addition, kEUR 676 was set aside for proceedings resulting from corporate transactions with former service providers of the acquired company; and kEUR 529 for other procedural risks due to corporate transactions. Further proceedings relating to labour law amount to less than kEUR 50.

24. Other financial obligations

As a result of the voluntary early application of IFRS 16 in the reporting year, all contracts leading to other financial obligations were classified as IFRS 16 cases as part of the change in accounting policy (first-time application: 1 January 2018) and recognised in accounts. For detailed explanations please refer to Note 15.

25. Revenues

Revenues are generated from online sales, console and mobile games (casual games, roleplay games and strategy games) as well as B2B services (platform and advertising services). This is consistent with the revenue figures disclosed for each reportable segment in accordance with IFRS 8 *Operating Segments* (see Note 5).

	2018 kEUR	2017 kEUR
B2C Games	20,874	0
B2B Platform and advertising services	11,747	0
Real estate business	0	1,059
	32,621	**1,059**

As permitted by the transitional provisions of IFRS 15, transaction prices that are (partially) related to unfulfilled contractual obligations as at 31 December 2018 are not disclosed, because all corresponding contractual obligations are parts of contracts which have an expected initial term of maximum one year.

26. Own work capitalised

This item primarily includes personnel expenses in connection with the capitalisation of development costs for the gamigo platform and for games which were capitalised as subsequent acquisition costs for intangible assets purchased.

27. Other operating income

Other operating income includes the following items:

	2018 kEUR	2017 kEUR
Currency translation	148	0
Rental income	27	0
Gain on bargain purchase	5,065	0
Other operating income	1,266	0
	6,506	**0**

As in previous and following financial years, other regularly occurring operating income includes income from the M&A business. These include, for example, regularly occurring income from bargain purchase gains, the derecognition of purchase price liabilities and income from the sale of companies and rights or licences. The revenues are related to the Group’s operating activities.

28. Services purchased

Expense items such as revenue shares, technology, royalties and costs for technology are posted.

29. Employee benefits expense

The employee benefits expense of the Media Invest Group amounted to kEUR 10,438 (2017: kEUR 0). The employee benefits expense of the previous year is shown in the result from discontinued operations (see section 34). Therefore, there is a massive difference to the expenses for 2017.

	2018	2017
	kEUR	kEUR
Wages and salaries	8,473	0
Social security	1,964	0
	10,438	**0**

In the reporting year kEUR 1,072 (2017: kEUR 0) were spent on the contribution-oriented state plans on pension provision (statutory pension insurance).

30. Other operating expenses

The other operating expenses include the following expenses:

	2018	2017
	kEUR	kEUR
Legal and consulting fees	1,695	341
Auditing fees	204	51
Rental fees	372	0
Travel expenses	213	0
Other administration fees	802	116
Advertising	5,135	0
IT and communications	37	0
Commissions	0	0
Other not directly attributable expenses	1,677	133
	10,135	**642**

31. Write-downs

With regard to the write-downs on intangible assets and fixed assets, we refer to the explanations regarding the intangible assets (Section 6) and fixed assets (Section 7). In the reporting year, no impairment losses on intangible assets or fixed assets were recognised as expenses, as no loss risk was identified.

There were no write-downs on financial assets for both years.

32. Financial result

The financial income and financial expenses are comprised as follows:

	2018 kEUR	2017 kEUR
Financial income	84	6
Financial expense	(1,725)	(47)
	(1,641)	(41)

33. Income taxes

The components of the income taxes are as follows:

	2018 kEUR	2017 kEUR
Current income taxes	(133)	(3)
Deferred taxes	1,028	0
	895	**(3)**

The current income taxes posted mainly comprise taxes on income in Germany for the respective reporting years.

In Malta, no separate corporate income tax system exists. All companies located in Malta are subject to a nominal income tax rate of 35%. The income taxes paid by a company will be imputed/refunded on the level of its shareholders at the time of a dividend payment. This system applies for Maltese shareholders as well as for non-resident shareholders.

The Board of Directors plans to generate revenues via dividend income from its German subsidiary Samarion SE.

Foreign income taxes are calculated using the tax rate applicable in the respective countries, which varies from 12.3% to 35.0% (2017: 0.0% to 35.0%). Besides Malta, the Group is also represented in Germany and Switzerland with group companies. In Germany, all group companies, except for gamigo AG, are structured in the legal form of limited liability companies (GmbH), this means they are subject to corporation tax, trade tax and the solidarity surcharge. For these German companies, the commercial tax has to be calculated additionally, which results in a formal tax on income tax of 32.3%.

The Swiss entity is subject to ordinary taxation, the tax on capital and the income tax rate is 12.3%.

In the US, the tax rate at the federal level is 21%. Together with the local corporate income tax, the nominal income tax burden in the US is 26.5% and is perpetual. While the nominal tax rate for corporations in Turkey is 22%, it remained unchanged at 19% in Poland for many years. The deferred taxes for lox carryforwards are measured based on the corresponding local tax rate.

The transition of the expected tax expenses of the Group to the actual tax expenses for the reporting periods is depicted in the following table:

	2018 kEUR	2017 kEUR
Profit before tax from continuing operations	687	-707
Expected income tax expense at 32.3% (2017: 15.83%)	222	-112
Effects of different tax rates	-895	195
Effects from gain of a bargain purchase	1,823	0
Expenses and income with no tax effects	-654	-21
Permanent deviations from deferred taxes	399	-65
	895	**-3**

The tax rate applied to the above-mentioned reconciliation for 2018 corresponds to the German companies' tax rate of 32.3% for limited liability companies with its seat in Hamburg (2017: 15.83%) on taxable profits according to the German tax law, which is to be paid by the most important group companies in Germany.

As at 31 December 2018, there was a current income tax receivable of kEUR 95 (2017: kEUR 0) and a current tax liabilities of kEUR 294 (2017: kEUR 0). For the amount of tax provisions, please see section 21 of these notes.

Deferred tax assets and liabilities as of reporting date are as follows:

	31 Dec 2018 kEUR	31 Dec 2017 kEUR
First-time consolidation of subsidiaries	14,418	0
Valuation of intangible assets	0	126
Valuation of properties	0	7,035
Valuation of financial liabilities (deferred tax liabilities)	0	261
	14,418	**7,422**
Deferred tax assets		
Valuation of provisions	0	18
Tax loss carry forwards	10,826	824
Less: valuation of bonds	(359)	0
Less: valuation of self-constructed intangible assets	(3,159)	0
Less: valuation of other assets and liabilities	(955)	0
	6,353	**842**

Under the tax laws prevailing in Malta tax loss carry forwards may be carried forward and offset against future profits without any time restrictions. Companies forming part of a group may benefit from group relief provisions in respect of allowable losses which are surrendered. However, group relief only applies to companies' resident in Malta, and such companies that are deemed to form part of a group if one or more companies are owned, directly or indirectly, as to at least fifty-one per cent.

The Swiss company has no significant tax loss carry forwards.
The Group assumes to realise deferred tax assets in accordance with IAS 12 to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. However, tax loss carried forwards can only be used in the future if they do not belong to non-taxable income. On this basis deferred tax assets and liabilities are disclosed. In addition, deferred tax assets result from the lower tax valuation of other provisions.

The deferred tax liabilities are mainly due to the temporary differences between the recognition of intangible assets as result of the first-time consolidation of Samarion SE (kEUR 14,418).

The deferred taxes result from temporary differences between the carrying amounts of assets and liabilities in the tax accounts of the individual companies and the carrying amounts in the consolidated annual financial statement as well as from tax loss carry-forwards. The decisive factor for assessing the recoverability of deferred tax assets is the assessment of the probability of the reversal of the valuation differences and the usability of the loss carry-forwards. This depends on the occurrence of future taxable profits during the periods in which tax valuation differences reverse and tax loss carry-forwards can be utilised. Within the framework of minimum taxation, tax loss carry-forwards in Germany can only be used to a limited extent. Accordingly, a positive tax base of up to million EUR 1 is unlimited; amounts in excess of this are to be reduced by an existing loss carry-forward up to a maximum of 60%.

34. Result from discontinued operations

As of May 9, 2018, the Group sold its 100% shareholding in solidare real estate holding GmbH and its subsidiaries. Therefore, the result of this business was classified as a discontinued business segment. In accordance with IFRS 3 the prior year numbers relating to this business were also reclassified from continuing to discontinued operations:

	2018 kEUR	2017 kEUR
Sales revenue	191	1,059
Other own work capitalised	2,505	1,228
Other operating income	237	1,288
Cost of materials and purchased services	(1,867)	(4,439
Personnel expenses	(554)	(1,252
Other operating expenses	(1,203)	(1,734
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	**(691)**	**(3,850)**
Depreciation	(136)	(343
Earnings before interest and taxes (EBIT)	**(827**	**(4193)**
Financial expense	(1,074)	(1,596)
Financial income	7	22
Other financial expense	0	(120)
Earnings before taxes (EBT)	**(1,894)**	**(5,887)**
Income taxes	(78)	402
Gain on disposal of the business	5,645	0
Profit for the year from discontinued operations	**3,673**	**(5,485)**

35. Earnings per share

Information about earnings per share is in accordance with IAS 33:

	2018 EUR/share	2017 EUR/share
From continuing operations	0.01	0.00
From discontinued operations	0.08	(0.14)
	0.09	**(0.14)**

The results and the weighted average number of shares for basic earnings per share are as follows:

	2018 kEUR	2017 kEUR
Profit for the year attributable to the owners of the Company	4,323	(5,735)
Profit for the year used in the calculation of basic earnings per share	4,323	(5,735)
Profit from discontinued operations used in the calculation of basic earnings per share from discontinued operations	3,673	(5,485)
Loss for the year from continuing operations used in the calculation of basic earnings per share from continuing operations	**650**	**(250)**

	2018 thousand	2017 Thousand
Weighted average number of shares for the calculation of basic earnings per share	50,362	40,800

In the financial year 2018, no dilutive effects were taken into account when calculating earnings per share. Although there are potentially dilutive effects from the future issue of equity instruments under a financing agreement as of the reporting date. However, their exercise is highly unlikely.

36. Business transactions with related parties

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated in the course of consolidation and are not explained in these notes. Details of transactions between the Group and other related parties are given below.

In addition to the Management Board, family members close to the Board and, in principle, the Supervisory Board, investments and the shareholders can all be considered relationships to associated companies and persons under IAS 24 Related Party Disclosures.

The Company indirectly holds 38.7% of the shares in gamigo AG. Remco Westermann holds 90% of the shares in Bodhivas GmbH (Düsseldorf), which in turn holds 76.86% of the shares of the Company, which in turn holds 100% of the shares in Samarion SE (Düsseldorf), which in turn holds 38.7% (36.2% directly and 2.5% via its 100% holding in Persogold GmbH, Hamburg) of the shares in gamigo AG. On the basis of voting right agreements with other shareholders of gamigo AG, the Company indirectly holds 53.2% of the voting rights of gamigo AG.

Remco Westermann is part of the three-member Board of Directors of the Company and personally holds 69.2% of the shares in the Company indirectly via his holding company Bodhivas GmbH as at the balance sheet date. He is a member of the Board of Directors of the Company since 31 May 2018 and is the Managing Director of Bodhivas GmbH, Duesseldorf. Hendrika Westermann is the wife of Remco Westermann, Jaap Westermann is the brother of Remco Westermann, both are directors of Jarimovas GmbH, Dusseldorf. In the consolidated statement of financial position as of 31 December 2018, the Group has stated different short-term liabilities to Bodhivas GmbH GmbH, Düsseldorf, in the total value of kEUR 9,293 (2017: kEUR 0) under financial liabilities. In addition, financial liabilities include short-term liabilities to Jarimovas GmbH, Dusseldorf in the amount of kEUR 1,758 (previous year: kEUR 0).

René Mueller is a member of the Board of Directors of the Company. In the consolidated statement of financial position as of 31 December 2018, the Company has stated directly and indirectly different loan receivables in the total value of kEUR 0 (2017: kEUR 125) under financial assets.

René Mueller is also a member of the Administrative Board of GSC General Service Center AG, Zug. In the consolidated statement of financial position as of 31 December 2018, the Company has stated trade payables to GSC General Service Center AG, Zug, in the amount of kEUR 1 (2017: kEUR 87). In the period from 1 January to 31 December 2018, the Company was invoiced with a total of kEUR 40 for deliveries and services.

Mr. Zeki Yigit had been a member of the Board of Directors of the Company until 8 May 2018. He is the sole shareholder and Managing Director of Suryoyo Holding GmbH, Duesseldorf, a former shareholder of the Company (until 8 May 2018). In the consolidated statement of financial position as of 31 December 2018, the Company no longer has any short-term loan liabilities to Suryoyo Holding GmbH, Düsseldorf, (2017: kEUR 7,756). The loan liabilities existing as of the previous year’s balance sheet date were stated under financial liabilities. Furthermore, the financial liabilities do not include any other current liabilities to Mr. Zeki Yigit (2017: kEUR 10).

Mrs. Feride Can, sister of Mr. Zeki Yigit, is the main shareholder and managing director of Paulus Holding GmbH, Guetersloh. Mr. Petrus Can, son of Mrs. Feride Can, is the sole shareholder and Managing Director of Gauss Consult GmbH, Guetersloh. In the consolidated statement of financial position as of 31 December 2018, the Group has not reported any trade payables to Gauss Consult GmbH, Guetersloh. In the period from 1 January to 31 December 2018, the Group was invoiced with a total of kEUR 165 for deliveries and services.

Mr. Simon Yigit, cousin of Mr. Zeki Yigit, is an independent business consultant. In the consolidated statement of financial position as of 31 December 2018, the Group has not reported any trade payable to Simon Yigit (2017: kEUR 10). In the period from 1 January to 31 Decvember 2018, the Group was invoiced by Mr. Simon Yigit with a total of kEUR 46 for deliveries and services.

Patrick Rehberger had been a member of the Board of Directors of the Company until 31 May 2018 and Managing Director of solidare real estate holding GmbH, Duesseldorf, as well as other former group companies (until 8 May 2018). In addition, he was also Managing Director of a former shareholder of the Company, of Suryoyo Holding GmbH, Duesseldorf (until 8 May 2018), as well as of other companies that do not belong to the Company. The consolidated statement of financial position as of 31 December 2018 does not contain any receivables or financial liabilities due from the Group.

Tobias Weitzel is a member of the Board of Directors of the Company, Malta since 31 May 2018. During the reporting period, no transactions under the scope of IAS 24 regarding Mr. Weitzel took place.

37. Employees

The average number of employees of the Group totalled:

	2018	2017
Germany	258	0
Poland	8	0
Turkey	16	0
USA	59	0
Korea	1	0
	342	**0**

38. Auditors' fee for annual financial statements

For the services provided in the financial years 2018 and 2017 by the auditor of the annual financial statements of the Group, the following fees were recorded as expenditures for the audits of the respective annual financial statements:

	2018	2017
	kEUR	kEUR
Services as an auditor of the annual financial statements - Group	20,000	15,000
Services as an auditor of the annual financial statements - component	200,000	120,000
Other assurance services	12,000	0

39. Governing board of the Company and remuneration

In the business year from 1 January to 31 December 2018, the Board of Directors of the Company comprised the following persons:

- René Mueller
- Zeki Yigit (until 8 May 2018)
- Patrick Rehberger (until 31 May 2018)
- Remco Westermann (since 31 May 2018)
- Tobias Weitzel (since 31 May 2018)

Thomas Jacobsen is Secretary of the Company.

The Board of Directors did not receive any remunerations for the periods presented.

As at 31 December 2018, as in the entire year and the previous year, there were no advances or loans to members of the Management Board or the Supervisory Board.

40. Events after the balance sheet date

The following events are to be reported as fundamental changes taking place after the consolidated balance sheet date:

On 25 March 2019, the Group, through gamigo AG placed further bonds totalling EUR 10 million as part of a tap issue within the outline agreement of EUR 50 million. The stock-up was carried out over par at a price of 100.50% of the nominal amount of the bond. On 18 June 2019, gamigo AG placed further bonds totalling EUR 8 million as part of a tap issue within the outline agreement of EUR 50 million. The stock-up was carried out over par at a price of 101.00% of the nominal amount of the bond. Similar to the outstanding bond issued of EUR 32 million, the tap issue has a floating rate of 7.75% per annum (above 3 months Euribor with a minimum 0% floor) and a maturity date of 11 October 2022. The total volume of the bond increased to EUR 50 million. The new bonds are listed under the same ISIN and in the open market of Frankfurt Stock Exchange and in the regulated corporate bond segment of Nasdaq Stockholm.

On 3 April 2019, gamigo AG acquired significant assets and liabilities of the US games publisher, WildTangent Inc. (WildTangent), through its wholly owned subsidiary, gamigo Inc., USA. WildTangent is a leading publisher of casual games based in Bellevue (Washington), USA. With this acquisition, gamigo AG continues its series of successful acquisitions using the consolidation potential of the market. Based on its platform strategy, synergies between gamigo group and the acquired companies can be leveraged and thus contribute to the further profitable growth of the Group. With the acquisition of the assets of WildTangent, gamigo significantly strengthened its position in the USA, one of the world's largest gaming markets.

On 17 May 2019, Media and Games Invest plc acquired 65.42% of the shares in ReachHero GmbH, Berlin, Germany, which has a leading platform solution for influencers and advertisers in Europe for a consideration (purchase price) of kEUR 2,896. The consideration was partly paid by the issue of 2,170,000 ordinary stocks of the Company to Bodhivas GmbH, Dusseldorf, Germany, at a nominal value of EUR 1.00 per share because Bodhivas pre-financed the purchase price by a share loan. As a result of the transaction, the Company has issued a total of 62,020,000 ordinary shares as of 17 May 2019.

Subsequently, the Company signed a capital increase in ReachHero GmbH resulting to a 67.4% shareholding in ReachHero GmbH.

On 29 May 2019, in an extraordinary general meeting, the Company approved to change its name from Blockescence plc to Media and Games Invest plc.

On 12 June 2019 the Company acquired 100% of the shares in AppLift GmbH, Berlin, Germany for a consideration price of EUR 5,960 million. The consideration was partly paid by cash and promissory notes.

Furthermore, there were no other events or developments that would have led to a material change in the disclosure or valuation of the individual assets and liabilities as at 31 December 2018.

41. Approval of the consolidated financial statements

The consolidated financial statements of the Group as at and for the year ended 31 December 2018 was approved and released for publication on 28 June 2019.

42. Guarantee of the Board of Directors

In all conscience, we assure, as representative for the Board of Directors of the Company, that the consolidated financial statements for the period from 1 January to 31 December 2018 are in compliance with IFRS, as adopted by the EU, and give a true and fair view of the Group's Net Assets, Financial Position and Results of Operations.

Malta, 28 June 2019

Board of Directors

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Media and Games Invest plc

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Media and Games Invest plc (formerly blockescence plc) and its subsidiaries (together, the "Group") set out on pages 4 to 73 which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and have been properly prepared in accordance with the requirements of the Companies Act (Cap.386).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

RSM

INDEPENDENT AUDITORS' REPORT – continued

Key Audit Matters – continued

The following summarises the key audit matters we have identified during the audit:

Key Audit Matter	Auditors' Response
1. Acquisition of assets and liabilities of Trion Worlds Inc.	
On 22 October 2018, the Group acquired material assets and liabilities of Trion Worlds Inc. for a total purchase price of kUSD 4,164. The net assets were acquired in the context of assignment for the benefit of the creditor process where the Group only acquired assets with which it would like to continue the business. The acquisition was treated as a business combination in accordance with IFRS 3. The assessment and valuation of the acquired net assets was performed by an external expert.	We assessed whether the acquisition of the assets and liabilities of Trion Worlds Inc. falls within the scope of IFRS 3. An evaluation on the Group's control and power over the business combination in accordance with IFRS 10 was also performed. We also assessed the competence, capabilities and objectivity of the external expert who valued the acquired assets and liabilities, as well as the valuation method used, and the underlying assumptions and parameters based on external market data.
2. Issuance of kEUR 32,000 bonds in Frankfurt and Stockholm stock markets	
The Group issued senior secured bonds loan of kEUR 32,000 on 11 October 2018, within a total framework amount of kEUR 50,000, primarily on the Swedish and continental European bond market. The bonds are subject to a floating annual interest rate of EURIBOR 3 months + 7.75% (EURIBOR floor at 0.00% applies) and mature on 11 October 2022. The bonds are traded on a regulated market in Swedish Stock Exchange and in an open market segment in Frankfurt Stock Exchange.	We checked the initial measurement of the bonds on their issuance date, 22 October 2018, and their subsequent measurement up until 31 December 2018. An assessment of the terms and conditions of the issued bonds, including the examination of the termination options at the discretion of the Group, was performed. We reviewed the presentation of these bonds in the consolidated financial statements as long-term financial liabilities and the anticipated interest expenses that were accrued. The application of the effective interest rate method on the subsequent measurement of the bonds was also checked. We have tested and obtained evidence on the transaction costs incurred on the issuance of the bonds and assessed their accounting treatment.

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INDEPENDENT AUDITORS' REPORT – continued

Key Audit Matters – continued

Risk Description	Auditors' Response
3. Recoverability of Goodwill	
As at the statement of financial position date, the consolidated financial statements of the Group include goodwill amounting to kEUR133,756. Goodwill is subject to an annual impairment test. The book values of the cash-generating units are compared with their respective recoverable amounts. The Group identifies its business segments (B2C and B2B) as cash-generating units. The recoverable amounts are generally calculated based on the identified fair value of each cash-generating unit, less costs to sell based on discounted cash flow models. The discounted future cash flow models are based on a five-year plan approved by the Group's supervisory board. The discounting method was performed based on the allocated weighted cost of capital on each respective business segment. The result of the valuation was highly dependent on the estimated future cash flows of each business segment and the discount rate used by the Group and was, therefore, subject to considerable uncertainty. Due to the complexity of the valuation method, we have determined this matter to be of relevance.	During the audit, the methodological procedures on the impairment testing of goodwill were reviewed. We have assessed: a.) whether the valuation model used in determining the recoverable amounts, properly represents the applicable reporting standards; b.) the completeness and accuracy of the applied input parameters; and c.) the reasonableness of the calculations in the valuation model. Through the evaluation of the five-year plan, and the inquiries with the Group's management on the key assumptions applied, we have assessed the future cash flows that form the basis of the calculation. We also assessed the general and industry-specific market expectations. Furthermore, the work of an internal valuation specialist was used in relation to the impairment testing of the goodwill. The competence, capabilities and objectivity of the valuer were assessed.

Other Information

The directors are responsible for the other information. The other information comprises the general information and the directors' report. Our opinion on the consolidated financial statements does not cover the other information, including the directors' report.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT – continued

Other Information – continued

Under Article 179(3) of the Companies Act (Cap. 386), we are required to consider whether the information given in the directors' report is compliant with the disclosure requirements of Article 177 of the same Act.

Based on the work we have performed, in our opinion:

- the directors' report has been prepared in accordance with the Companies Act (Cap. 386);
- the information given in the directors' report for the financial year on which the consolidated financial statements had been prepared is consistent with those in the consolidated financial statements; and
- in light of our knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

Responsibilities of the Directors for the Consolidated Financial Statements

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

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

The directors are responsible for overseeing the financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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INDEPENDENT AUDITORS' REPORT – continued

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements – continued

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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INDEPENDENT AUDITORS' REPORT – continued

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements – continued

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

We have responsibilities under the Companies Act (Cap.386) to report to you if, in our opinion:

- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- The consolidated financial statements are not in agreement with the accounting records and returns.
- We have not received all the information and explanations we require for our audit.
- Certain disclosures of directors' remuneration specified by law are not made in the consolidated financial statements, giving the required particulars in our report.

We have nothing to report to you in respect of these responsibilities.

We declare that the audit opinion expressed in this auditors' report is consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation.

Appointment

We were first appointed as auditors of the Group for the period ended 31 December 2013. Our appointment was renewed annually by shareholders' resolution representing a total period of uninterrupted engagement appointment of 6 years.

This copy of the audit report has been signed by
Conrad Borg (Partner)
for and on behalf of

RSM Malta
Certified Public Accountants

28 June 2019